MASSEY'S
Commercial Law

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MASSEY'S

COMMERCIAL LAW

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Richard W. Massey,
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TO MY PUPILS.

A knowledge of law as applied to business is essential to success in the business world. This treatise on Commercial Law, while condensed, contains all the salient features of the laws governing business, and should be carefully studied.

I especially commend to your consideration the Hints and Helps given in the Appendix, beginning on page 181. I am much interested in your success. I want you to carefully read the articles I have written on pages 188 to 194, inclusive. Read these articles carefully, with my assurance that every word contained therein was written with the thought solely for your personal benefit.

When leaving College, take this book with you, and in after years read these articles again, as much of your business success will depend upon how well you have followed this advice.

Sincerely yours,

RICHARD W. MASSEY.

BIRMINGHAM, ALA.

S. P.

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CHAPTER I.

LAW IN GENERAL.

1. Law in General.—Law is a rule of action prescribed by the governing power of the people, commanding what may or may not be done. It has for its object the protection of every one against what is wrong, and the security to him of the full enjoyment of what is legally his own. Law may be classified in various ways. The following are a few general classes: (1) Moral, (2) Natural, (3) International, (4) National, (5) Constitutional, (6) State Law, (7) City Ordinances, (8) Statute, (9) Civil, (10) Criminal, (11) Common. Only a few of these classes will here be considered.

2. Civil Law.—The object of this class is to oblige every one to perform what he has legally obligated himself to do, and, in case of his failing to comply with his agreement to compel him to pay to the other party or parties such damages as are sustained by his noncompliance. For illustration: A construction company agree to erect an iron bridge, according to specifications, by a designated time, across a certain river, for $100,000. In case of the company's failure to complete the bridge as stipulated, a right of action for damages accrues against them. Again, A agrees to perform certain services for B for a period of one year for a consideration of $1,200, payable in equal installments on the last day of every month. Should either party, A or B, fail to comply with his agreement, the other has a right to resort to the courts to compel such performance or to recover damages therefor.

3. Criminal Law.—The object of this is to deter persons from committing crime and to punish those who do so. In all criminal actions the State prosecutes the offender. The punishment may be by fine or imprisonment,

or both. This, however, being a subject foreign to this treatise, mere mention of it will suffice.

4. Common Law, or Unwritten Law, Distinguished from Statute Law.—The common law originated from usage or custom and was finally recognized in the decisions of courts. Unlike statute law, it is not formally expressed in words. It is, therefore, sometimes called the unwritten law. Our English ancestors brought with them to America so much of this law as was adapted to their circumstances. So far as it has not been modified by statute, it is in force to-day in every State in the Union except Louisiana. This State was settled by the French, and its system is founded on the Roman law. The statute law embraces those laws enacted by the Leigislatures of the different States and by the Congress of the United States. Being formally written and approved, it is sometimes designated as the written law. The laws passed by Congress are binding upon the people of the nation, though those passed by the Legislatures of the States have no effect beyond the boundaries of the respective States. That is, a law enacted by Congress requiring a manufacturer of tobacco to pay a certain tax upon every pound manufactured applies to every person who engages in this business in the United States; but any law passed by a particular State has no effect outside that State. Every State enacts such laws for the government of its people, and those doing business within its borders, whether they reside within it or not, as it deems best. But, as just stated, these laws have no binding effect upon any others. This is a provision of the Constitution of the United States, and is, therefore, fundamental.

CHAPTER II.

CONTRACTS.

5. Definition.—A contract may be defined as a mutual agreement, between two or more competent parties, to do or not to do something which is neither opposed to public policy nor prohibited by law, for a valuable consideration.

6. Necessary Elements.—From the above definition, it will be seen that there are four requisites to every valid or legal contract. That is, an agreement which is lacking in any of these is not one which the courts will enforce. These requisites are as follows: Competent Parties; Mutual Agreement; Lawful Subject-Matter; Valuable Consideration. We will now consider these in the order given.

7. Competent Parties.—The common rule is that any person of legal age and of sound mind may contract freely, binding himself in every instance. The common law and most of the statute laws fix the legal age at twenty-one years. In a few of the States a female becomes of legal age at eighteen years or when she marries. While it is true that some persons younger than twenty-one, or even eighteen, are more intelligent, and therefore more capable of attending to their affairs, than others at forty, some age must be established at which to fix one's liability, and experience demonstrates that twenty-one years is the most suitable. By sound mind we mean a person who is not a lunatic or an idiot. A lunatic is one who is deranged in intellect and is void of the power of reason—such a person is also said to be insane; an idiot is one having no mind at all. Lunacy is a diseased mind, being the result of sickness, trouble, or a severe shock; idiocy manifests itself at birth. Corporations, alien enemies, married women, and drunken persons also belong to the class of incom-

petent persons, and are therefore more or less restricted in the matter of entering into certain contracts.

8. Mutual Agreement.—This means a proposition or offer made by one person to another, and his unqualified acceptance of it. The offer may be written or oral, or even implied by one's actions. An acceptance is an assent to the offer made, and it completes the agreement between the parties. There can be no contract without a proposition and an acceptance. For illustration: A offers to sell B a horse for $150. This is a proposition, but not a contract unless B accepts the offer. If B accepts it without qualification, it is complete and thenceforth binding upon A and B. There has been a meeting of minds—a proposition and an acceptance. If, on the other hand, B had told A that he would give him $100 for the horse, this would not have been an acceptance by B, but a new proposition to A. However, if this new proposition made by B is accepted by A, it becomes a binding contract. As stated above, the acceptance must be unqualified—this is, without conditions. Thus, if B had accepted A's proposition upon condition that he receive, as payment, wheat at 75 cents a bushel, there would have been no contract between the parties. When a proposition is made orally, in order to be binding, the acceptance must be made on the spot or within such a time as the parties had in contemplation, unless a definite period of time in which to accept is stipulated. Even when a proposition is made stipulating a definite time in which it must be accepted in order to be binding, it may be withdrawn at any time before its acceptance. This is true because there has been no consideration to support the offer. The subject of consideration will be treated more fully under its proper head. When a proposition is made by letter and likewise accepted, it becomes a valid contract as soon as the letter of acceptance is mailed—that is, deposited in a post office, railway mail car, or letter box, provided the postage is prepaid. When made by telegram, it becomes a contract when an

acceptance has been placed in the hands of the telegraph company for transmission. An offer made in either of the above ways may be withdrawn in any manner before acceptance; and, likewise, an acceptance may be withdrawn, if done before it reaches the party making the offer.

9. Lawful Subject-Matter. — The subject-matter, or agreement between the parties, must be lawful. Not only must it not be prohibited by law, but it must not be opposed to public policy. To permit persons to contract to do unlawful acts, or to do things opposed to public policy, would be absurd. To enter into an agreement to commit a crime, such as to kill a person or to commit burglary, is an illustration of a contract contrary to law. On the other hand, contracts in restraint of trade, or never to marry, are illustrations of contracts opposed to public policy. Numerous illustrations might be given, but these will suffice. Not only will the courts refuse to enforce an illegal contract, but even though one may have paid money, delivered goods, or conveyed land in consequence thereof, they will not, in general, permit him to recover his property or its price. Having placed himself in such a predicament, he must abide the consequences.

10. Valuable Consideration.—Competent persons may mutually agree to do something which is neither prohibited by law nor opposed to public policy, yet, without a valuable consideration to support their agreement, there is no valid contract between them. As already stated, there can be no binding contract without the four requisites: Competent parties; mutual agreement; lawful subject-matter; valuable consideration. Should any one of these be lacking, the contract will not stand the test of the courts. An agreement to give a person, not a near relative, something, even when performed, is not binding. A valuable consideration means something possessing real value, such as money, real or personal property, or a promise to do something which is desired. A may agree

to pay B $100, at a specified time, for a certain horse, or to work one year for a certain farm, or to pasture his horse for a month in consideration of a promise from B to make certain repairs to the fence inclosing the pasture. In each instance the consideration is valuable, and therefore meets the requirements of the law. The consideration need not be adequate—that is, it need not be of equal value. A may agree to sell B a horse worth $100 for a straw hat worth only 25 cents. Each is valuable, and that is all the law demands. Certainly, if A and B are competent parties, and they desire to make such an agreement, no one has the right to interfere. Then, if they do make such an agreement, it is binding upon them; hence, can be enforced in a court of law.

CHAPTER III.

CONTRACTS (Continued).

11. Things Which Affect Validity of Contracts.—It has been seen that a mutual agreement is essential to the validity of every contract. The parties must willingly assent to the same thing; otherwise there is no obligation upon the one who does not do so. The things which most frequently prevent a mutuality of assent, or a meeting of minds, are the following: Mistake of Fact; Fraud; Duress.

12. Mistake of Fact.—A offers to sell B a certain farm, which he calls "Walnut Cove." B has in mind a different place from that which A offers, and, accordingly, agrees to buy the farm at the price named by A. Clearly, there was no meeting of minds, and, the mistake being one for which B could not be blamed, he could not be compelled to take the farm offered by A. This must not be confused with a mistake in value, quality, etc. If A offers to sell

B a certain horse for $100, and B is not mistaken as to the horse offered, and he agrees to buy, although he may find upon close examination that the horse has but one eye, and is not worth the price agreed upon, he cannot rescind his bargain. In this case their minds did meet as to the subject-matter. There was not an apparent assent but a real one, and therefore a valid contract between them.

13. **Fraud.**—This has been defined as "a willful or reckless misstatement of fact by one party for the purpose of inducing and actually inducing the other party to assent to the terms of the contract." Unlike the case just considered, there is no mutual misunderstanding here. The party attempting to perpetrate a fraud knows clearly that the other party is deceived as to the subject-matter. In fact, his object is to deceive, and thereby drive a shrewd bargain. Illustration: A offers to sell B a certain farm for $5,000. In order to induce B to take it, he tells him that it is well fenced and watered, and that the land is generally level and productive. His statements are false, however. If B agrees to buy it upon the representations made by A, he may, upon finding them false, repudiate the contract. This privilege, however, belongs to B only. It is what is termed a voidable contract—that is, one which may be avoided by the defrauded party. The party attempting to defraud is not entitled to protection, and therefore receives none from the courts.

14. **Duress.**—Any influence which causes a person unwillingly to assent to a proposition is duress. Actual fraud employs deception, while duress employs compulsion, in some form, to induce the other party to assent to the proposition. Duress consists of unlawful imprisonment, whether in a prison, jail, or elsewhere; or threats of imprisonment, or threats of violence or injury to one's person. A person who is thus induced to enter into a contract does not give his actual assent, but apparent assent only. The effect of duress, like fraud, is to enable

the unwilling party to the contract to rescind it, or set it aside, as he chooses. Money paid under duress can be recovered. Contracts produced by it are not actually void, but voidable. Only the intimidated party can avoid such contracts.

CHAPTER IV.

CONTRACTS (Continued).

15. Notable Exceptions.—We have seen that all except competent parties are restricted in the matter of entering into the contract relation. We have also seen that in the class of incompetent parties, or those not allowed to contract freely, the following are included: Minors, Lunatics, Idiots, Drunken Persons, Married Women, Corporations, and Alien Enemies. We will now consider the effect of contracts entered into by incompetent persons.

16. Minors.—Minors, sometimes called infants, are persons who are under the legal age, which, in most States, is twenty-one years. These persons, being of tender years, need the protection of the courts. Without it, undue advantage would be taken of them by designing and unscrupulous persons. Their contracts, therefore, are either void or voidable. Those contracts which the courts regard as detrimental or injurious to the interests of minors are held to be void. Notwithstanding the willingness of a minor to be bound by his contracts, in such instances the courts will not permit him to be. On the other hand, those contracts which are not prejudicial to minors, but are beneficial to them, are voidable. It is optional with the infant only to avoid such a contract, the party entering into it with him, if he himself is competent, being bound by it. Even when a contract has been executed, an infant may disaffirm it. When he sells an article, he may reclaim it by tendering the purchase price.

Even when he cannot tender the purchase price, it having been squandered by the infant, thus doing him no good, he may generally recover property sold during his minority. But minors are firmly bound by all contracts for necessaries. They may agree to pay a fabulous price, in which case the courts will protect them by allowing a reasonable and fair price only. Proper food and clothing, medicines, medical attendance, and nursing during sickness, and a common school education are generally regarded as necessaries. To bring them within this scope, they must have actual need of things supplied. Articles of luxury and ornament are generally excluded. In determining what are necessaries, one's station in life, fortune, etc., are considered.

17. Lunatics, Idiots, and Drunken Persons.—Generally speaking, these are considered in the same light by the courts, a drunken person, or one under the influence of whisky or drugs to that extent that his mind is bereft of reason, being regarded as temporarily insane. Voluntary drunkenness, however, does not excuse from crime, while insanity is a complete defense. As in the case of minors, and for substantially the same reasons, contracts entered into by these persons are void or voidable—those being detrimental to them are void, while those which are beneficial are voidable. An insane person, during lucid intervals, or at times when he is rational, may bind himself by his contracts. Persons who are totally insane, however, are not permitted to do so. But, like minors, these persons are bound by all reasonable contracts entered into for necessaries. Although they may be incapable of knowing what is being done for them, they are, nevertheless, bound for all necessaries furnished them under such circumstances. Were this not the case, they might at times actually suffer, for few persons could well afford to supply their needs, the hope of compensation being removed. Then, receiving a benefit, they should, if they possess any property, be required to pay for it. Necessaries for these

persons are substantially the same as those for an infant—that is, such things as they actually need for their comfort and preservation are always regarded as such.

18. Married Women.—At common law the husband and wife were, for most purposes, regarded as one person, the legal existence of the wife being merged in that of the husband. Liberal statutes have now been enacted in all of our States, thus enlarging the rights and powers of married women. Most of these statutes give them the power to retain, in their own right, all property owned by them prior to their marriage, and also that acquired afterwards by gift, grant, devise, or bequest. They also give to them the power to contract with reference to their separate property as freely as if unmarried. In general, however, all other contracts which they may make are absolutely void, as at common law.

19. Corporations.—A corporation is a child of the State. Its legal existence is the result of the charter granted by the State, and this charter defines its rights and powers. It will be seen, therefore, that a corporation is not permitted to make any contracts not authorized by its charter. All contracts in violation of this principle are usually void.

20. Alien Enemies.—Friendly relations, the usual outcome of business dealings or contracts, between subjects of hostile nations, are not allowed. To permit such might thwart the very purposes of war. Contracts entered into during war, except those by license, are void. Those entered into prior to the declaration of war are valid, of course, but the remedies for enforcing them are suspended till the return of peace. Good sense could warrant no other course.

CHAPTER V.

CONTRACTS (Continued).

21. Classification of Contracts.—The laws applicable to the several classes of contracts are different; hence the necessity of being able to distinguish one from another. For instance, certain contracts, in order to be valid, have to be reduced to writing. Excepting where the law specifies that a contract must be in writing, an oral or verbal agreement is just as valid. Notwithstanding this, however, a written contract is better, for it is evidence of the agreement between the parties, while a verbal contract can be established only by such other evidence as can be adduced. For our purposes, we will classify as follows: Simple and Specialty; Oral and Written; Expressed and Implied; Executory and Executed.

22. Simple Contracts.—These constitute the most important, for the most of the business of the world is carried on by means of them. They are sometimes expressed in writing, not under seal, but are very often merely oral, and not infrequently wholly or in part implied.

23. Specialties.—These include all contracts made under seal, such as deeds, mortgages, bonds, etc. A contract under seal is one having a seal in connection with the signature, and thus signifies a written contract. A seal may be a small wafer or impression on the paper or parchment, or it may be a scroll, drawn with a pen, or printed, near the signature of the party sealing the instrument. After signing and sealing the instrument, it must be delivered, in order to give it legal effect. Under the common law a sealed instrument is of greater dignity than one not sealed, no consideration being required to support it. Under our statutes, however, a consideration is merely presumed, and evidence may be introduced to disprove it.

In some of the States there is no distinction between a sealed and an unsealed instrument.

24. Oral Contracts.—These are sometimes designated as verbal contracts. They are made by means of spoken words. To belong to this class, the entire agreement must be by word of mouth, no writing whatever being used.

25. Written Contracts.—As the statutes require certain contracts to be in writing, in order to be binding on the parties, it is important to know what constitutes a written contract. Of course one whose terms are reduced to writing necessarily belongs to this class. But this is not all. It may be wholly written with a pen or pencil, or may be wholly typewritten, or may be wholly printed; or it may be a combination of two or more of these. If the agreement between the parties is expressed on paper, parchment, or other substantial substance, it is a written contract.

26. Expressed Contracts.—These are those whose terms are expressed in words, either written or spoken, showing an intention to be bound.

27. Implied Contracts.—"Actions speak louder than words" is a quotation often used. Certainly it is true that one should be bound by what he does as well as by what he says. And thus he may bind himself, without speaking or writing a word, by his actions. Those which are gathered thus are called implied contracts. Illustration: A orders B to make him a wagon. He says nothing whatever about paying for it. B makes the wagon and then presents his bill. By implication A agreed to pay a reasonable price, and he can thus be made to do so. Again, A goes into a store, and, without asking the price of certain articles, puts them in a basket and takes them home. The merchant has the right to infer that A will pay for them, and he can thus compel him to do so. Here we have an illustration of a contract without a word having been spoken by either A or B.

28. Executory Contracts.—Those which are yet to be

performed are executory contracts. According to our definition, as well as the views of most writers, these are the only true contracts. At a glance it will be seen that when the agreement between the parties has been fully performed there is no longer an obligation resting upon either of them. It will be remembered that a valuable consideration is always required to support an executory contract; also, that the courts will not enforce one which is founded upon an illegal consideration.

29. Executed Contracts.—In contradistinction to executory contracts, those which have been fully performed are called executed contracts. We have seen that in executory contracts, when parties agree to do unlawful acts, the courts will not enforce them; but when such agreements have been performed, or executed, the courts will leave the parties where they have placed themselves, not permitting either to recover any money which may have been paid, or any property which may have been transferred. A contract may be executory on one side and executed on the other, as where one party delivers certain articles, or performs certain services, according to agreement, and payment is to be made by the other party at a future date.

30. Example of a Simple Employment Contract.—This agreement made and entered into by and between Albert J. Brame and W. Edgar Dow, both of Montgomery, Alabama, witnesseth: That the said Albert J. Brame agrees to employ the said W. Edgar Dow, as traveling salesman for the Brame Typewriter, for a period of one year, the said service to begin on the first day of January next, at a salary of twelve hundred dollars, payable in equal monthly installments on the last day of each month. He further agrees to pay legitimate traveling expenses and hotel bills, to an amount not exceeding one hundred dollars any given month, provided vouchers are procured and produced by the said W. Edgar Dow. That the said W. Edgar Dow, in consideration of the above stipulated

salary, agrees to act in the capacity named, and for the time specified, performing, to the best of his ability, all duties connected with said service. He further agrees that, in case of protracted sickness, as much as one week or more, he is to forfeit his salary for lost time; and that he will render weekly reports, showing the names and addresses of parties seen, the territory covered, and the sales and collections made. That the said W. Edgar Dow is to have, as his exclusive territory, the State of Alabama, and that he is not to be required to canvass in any other State. In testimony whereof we have hereunto signed our names, in the city of Montgomery, State of Alabama, on the tenth day of December, nineteen hundred and nine.

ALBERT J. BRAME,
W. EDGAR DOW.

No particular form is required in the execution of a contract. The thing to be kept in mind is the setting forth, clearly and distinctly, the terms of the agreement. This done, there is no ground for misunderstanding and possible lawsuits.

CHAPTER VI.

CONTRACTS (Continued).

31. Statute of Frauds.—We have learned already that the law requires certain contracts, in order that they may have legal effect, to be reduced to writing. This is true in all the States, the statutes being founded on an old English law, known as the Statute of Frauds, enacted during the reign of Charles II., in 1677. It was called the Statute of Frauds because it had for its object the prevention of frauds and perjuries. We will now note the several classes of contracts to which our modern statutes apply.

32. For the Sale or Purchase of Real Estate.—By the

term "real estate," we mean land and whatever is permanently affixed to it, whether by nature or the hand of man. A contract to buy or sell this kind of property cannot be enforced unless it is written. No verbal agreement, even though it be witnessed by a hundred persons, is of any value whatever.

33. Leases of Land for One Year or More.—Any lease of real estate for less time than one year is valid, even though it be a verbal agreement. If for more than a year, however, it must be in writing. If for five years, or more, some States require a deed to be executed.

34. Contracts Not to Be Performed within One Year.—Those contracts which cover a period of one year or more—that is, from the date of agreement to completion of performance—belong to this class. Illustration: A enters into a contract on June 1, 1910, to work from January 1, 1911, to November 1, 1912, for B, for a salary of $1,000. From the date of this contract, June 1, 1910, to the end of the time expressed, November 1, 1912, is more than a year. In order to be valid, therefore, the law requires that it be reduced to writing.

35. Contracts Made in Consideration of Marriage.—Mutual promises to marry are not included in this class. They are more often than otherwise verbal, and are binding. But when one person agrees with another person that if he will marry a certain other one he will pay him a stipulated sum of money, or will transfer to him certain property, we have an illustration of the class of contracts contemplated. All contracts of this nature must be in writing in order to be enforced in a court of law.

36. Contracts to Answer for the Debt or Default of Another.—A owes B $1,000. Upon demanding payment, C tells B to wait one month longer for his money, and that if A does not pay him at that time he will do so. If B agrees to this proposition, he must reduce the contract to writing; otherwise he cannot hold C to it. This must not be confounded with an agreement of one person to stand

for the purchase price of articles which are delivered to another at his request. Even in this case, however, the goods must usually be charged to the person to whom the credit is given—that is, to the one who requests a person to let another have goods.

37. **Contracts for the Sale of Goods Amounting to $50 or More.**—When one contracts to sell goods or chattels amounting to $50 or more, such contract comes within the provision that it must be in writing. If the purchaser, however, receives part of the goods, or pays part of the purchase price, it is deemed a sale, and not a mere contract to sell. In other words, executory contracts, and not executed contracts, are contemplated by the statute.

CHAPTER VII.

CONTRACTS (Concluded).

38. **Damages.**—It has been stated already that when a party fails to perform a contract which he has entered into, a right of action for damages accrues against him in favor of the injured party. While it is not possible, in all cases, for the courts to compel specific performance of contracts, they do require the defending party to pay damages to the extent of injury incurred by the other party, in lieu of nonperformance. We will now take a few special examples, discussing briefly the law applicable to them.

39. **Services.**—When a person engages to work for another for a stipulated time, say one year, for a certain sum of money, he can collect nothing until the expiration of that time. But, on the other hand, if he agrees to work for one year, at so much a month, to be paid monthly, in default of any payment, he has the right to sue for such payment at once. If, however, the employe quits work

without proper cause, and his employer be damaged thereby, a right of action arises against him in favor of his employer. When an employe is discharged while faithfully performing his obligations, he is usually permitted to pursue either of three courses, as follows: To sue for damages; or to sue for salary earned and to accept other employment; or to seek other employment, but, failing to procure it, to sue for salary for the whole time as if his services had been rendered without interruption.

40. Lease of Property.—Tenants are held responsible to their landlords for the payment of rents, whether they occupy the premises during the whole term or not, and the landlord is given a lien upon the furniture and other goods belonging to them. They do not have the right to sublet the premises, or any part, without express permission of the landlord; neither do they have the right to use the premises for any purpose not authorized by the lease. If a tenant is made to vacate the premises before the expiration of the time expressed in his lease, or is not given quiet and peaceable possession, he has a right of action against his landlord for damages.

41. Sale of Goods.—When a seller fails to deliver goods according to agreement, the buyer is entitled to damages to the full extent of the loss incurred; if, on the other hand, the seller suffers through the neglect of the purchaser, he, in turn, is entitled to damages to the amount of loss sustained. If the seller agrees to deliver goods at a certain time and fails to do so, the purchaser may recover from him the difference between the price of the goods at the time agreed upon for delivery and the market price when received, together with legal interest from date of sale; or, he may decline to receive them at all. When goods are delivered at the time agreed upon, and the purchaser refuses to accept them, the seller may store them in a warehouse and sue for selling price and storage; or, by consent of buyer, sell goods and collect loss sustained; or keep the goods and collect from purchaser the amount of loss sus-

tained. Where the contract is to pay a certain amount of money at a designated time, in default of such payment, interest may be added from the fixed time to the date of settlement. Notes and accounts bear interest at legal rate, from the time they are due till date of payment, even if no interest is mentioned.

42. Suit or Action.—When there has been a breach of contract—that is, when one party has failed to comply with his agreement, whether through refusal or neglect—the other may seek redress or damages, through a court of justice, by means of a legal remedy popularly known as an action or lawsuit. The party thus proceeding is called the plaintiff; the party proceeded against, the defendant. The plaintiff states his grievances, introducing evidence to substantiate his claim, and asks the court to award certain damages. The defendant resists the claim, introducing evidence to show why the plaintiff is not entitled to damages; or, if entitled to damages at all, not to the amount sought. The court hears and decides the controversy between the parties.

43. Judgment.—The decision of a court of justice regarding a controversy between the parties is called a judgment. In ordinary cases, where a judgment for plaintiff is for money damages, it is enforced by execution.

44. Execution.—This is an order from a court of justice to an officer of the law, usually the sheriff, with instructions to seize and sell sufficient of the defendant's property, and to apply the proceeds to the discharge of the judgment and costs.

45. Statutes of Limitation.—In order to cause persons to be prompt in enforcing their claims, and thus prevent them from collecting very old and forgotten ones, which, on account of such circumstances, may have been paid already, the legislatures have enacted certain laws, fixing the time in which a creditor must institute suit against a debtor. Such laws are called the "Statutes of Limitation." They have been denominated the statutes of repose,

inasmuch as the action is at rest after the limit expires. Bear in mind that a claim which is thus barred may be just, but, on account of the negligence of the creditor in proceeding to get judgment within the time designated by the statutes, he cannot invoke the aid of the courts. Generally, the statutes of limitation begin to run the first day on which an action could have been brought. On open accounts the time is usually from the last payment, though on promissory notes from the date of their maturity or their due date. There are certain instances which excuse one for not bringing suit within the time prescribed by the statutes. The law generally recognizes infancy, insanity, imprisonment, and absence from the State. As soon, however, as such disabilities are removed, action must be brought. An express promise, usually in writing, to pay a debt which is barred will revive the claim—that is, bring it without the statutes of limitation. In such a case, the statutes begin to run when such promise is made. As we have seen, also, a voluntary payment on an open account has the same effect; but in the case of a promissory note a renewal note must be given, or an express promise in writing to pay such note. A debtor, in order to avail himself of these provisions of the law, must plead the statutes of limitation, as the court will not, of its own accord, take cognizance of the fact that the claim against him is barred, or "out of date." Notwithstanding the fact that a claim may be thus barred, a moral obligation still exists. There is a decided difference, however, between a moral and a legal obligation. In the different States, the time on the various classes of claims varies. Ordinarily, however, it is two years on open accounts, five years on written obligations not under seal, ten years on written obligations under seal, twenty years on judgments. See table in back of book.

CHAPTER VIII.

NEGOTIABLE PAPER.

46. Objects.—To meet the demands of modern commerce, negotiable paper has been inaugurated, giving to it many of the attributes of money, or currency. The volume of actual money is not sufficient to meet the needs of this progressive age. Furthermore, it would be very inconvenient to have resort to its actual use in trade in many instances. Not only would it be inconvenient to send it by mail, in paying obligations, but, being payable to bearer, it would be hazardous to do so. Were it to be lost, duplicate notes would not be issued; therefore, the loss would be total. Were it to be stolen, the thief could transfer it to a person wholly ignorant of the fact that he was not the rightful owner. These reasons, alone, were sufficient to cause the commercial world to seek something which would augment the currency of the country and, at the same time, more nearly meet the demands of trade. Having given to negotiable paper, therefore, many of the attributes of money, it would be well, in studying this subject, to keep this fact ever in mind. Then, too much importance cannot be attached to it, for nearly all the States in the Union have adopted the "Negotiable Instruments Law," thus making its application almost universal.

47. Definition.—Negotiable Paper is that class of written contracts, payable in money on demand, at sight, or at some future date, which the payee, or holder, may transfer by delivery or indorsement, vesting in transferee an absolute right of collection.

48. Necessary Elements.—There are certain necessary elements that must be present in every business paper in order to be negotiable. The necessary elements are: Parties—those who are competent to enter into any ordinary contract; in writing—either writing or printing or both.

The majority of business papers are partly written and partly printed. The writing should be in ink, although its being written with pencil will not destroy its validity. Payable in money—legal tender, gold and silver coins, national bank notes, etc., but not in goods or chattels; payable absolutely—the promise to pay must be unconditional. Any contingency attached to its payment renders it non-negotiable; negotiable in form—words showing that it was intended originally to pass from hand to hand at the wish of the holder. Such words as "bearer" or "bearer or order" will render it negotiable. Time—the period during which the paper is to run before payment, such as "at sight," "on demand," "at.....days' sight," and so many days, months, or years after date. The amount must be certain.

49. Consideration.—This element is absolutely essential to every binding contract, although in negotiable papers it need not be expressed—that is, while it is best to express it, it is not positively necessary to do so. The words "value received" are the ones commonly used to express the consideration, and it is generally best to use them, as their absence might cause suspicion and render it necessary to prove the consideration by parol evidence. As between the original parties, evidence may be brought to show the failure of a consideration; but should it pass into the hands of an innocent holder before maturity, the law will presume that there was a valuable consideration.

50. Promissory Notes.—A promissory note is a written promise to pay a certain sum in money at a specified time. There are only three kinds of promissory notes—viz., individual, joint, or joint and several.

51. Individual Promissory Note.—An individual promissory note is a promise made by one party to pay another party a certain sum in money at a specified time.

52. Joint Promissory Note.—This is a written promise of two or more parties to pay together a certain sum in

money at a specified time. Each party is responsible for his joint share of the payment, and in case action is brought, all must be joined in the suit.

53. Joint and Several Promissory Note.—This is a written promise of two or more parties to severally or separately promise to pay a certain sum in money at a specified time. Each party to such a note is responsible for the whole payment, and in case of action a holder may bring suit against each one of the parties separately or may sue them all jointly, as he chooses. Of course, should one of the makers pay the note, this would discharge the whole claim.

JOINT PROMISSORY NOTE.

No. 52. MONTGOMERY, ALA., November 8, 1910.

Sixty days after date, for value received, we jointly promise to pay to the order of J. C. Salter One Hundred and Twenty-Seven and 42-100 Dollars, at the Bank of Stewart County, with interest at eight per cent. Due January 7, 1911.

W. A. FITZGERALD,
G. W. WILLIFORD.

JOINT AND SEVERAL NOTE.

No. 18. MONTGOMERY, ALA., November 8, 1910.

Ninety days after date we jointly and severally promise to pay to the order of C. F. Beutel Eighty-Five and 40-100 Dollars, value received, with interest at six per cent. Payable at Farley National Bank. Due February 6, 1911.

TILGHMAN OFFUT,
CLEM R. KIRK.

54. Negotiability.—This is shown by the words "or bearer," "or order." When a note is made payable to ..... or bearer, it is negotiable by mere delivery; but when it is payable to ..... or order, it is negotiable only by indorsement by the payee. If there is any condition or contingency affecting the amount or date of payment, the note is not negotiable, but may be

assigned as ordinary property. Should a note be lost or stolen and afterwards found and pass into the hands of an innocent holder, the holder could demand payment provided he was not aware of the fact that it was stolen or lost.

55. Holder for Value.—It is a common rule that a person who has no title to property can give no title to any one else; but in case of negotiable paper passing into the hands of an innocent holder for a fair and full consideration and in good faith, the purchaser has an unimpeachable title to it, although the party from whom he received it had none. This protection of the law attaches only on the following conditions: (1) The instrument must be negotiable; (2) it must be obtained in good faith; (3) it must be obtained for a valuable consideration; (4) it must be obtained before maturity; (5) the purchaser must not be aware of any legal or equitable defense.

56. Presentment for Payment.—Notes should be presented for payment on the day on which they mature. The date of maturity, days of grace having been abolished, is on the last day of the period mentioned on the face of the note. If the day of maturity falls on Sunday, or on Saturday, this being a half holiday, the note should be presented on the first business day thereafter. Of course some of the States differ from this custom, and this feature should always be looked up in the statutes of the State in which the student resides.

57. A Failure to present a note for payment does not release the maker, but it does the indorsers, unless the holder has sufficient excuse for not presenting, or unless they (the indorsers) waive their right to notice. A note should be presented for payment to the maker himself or to his authorized agent at his place of business, or at the place designated, during business hours. If the maker has no place of business, the note should be presented at his residence. If it is payable at a certain town, the note should be presented at all the banking houses in the

town. A demand made of a person on the street will answer unless he objects on account of its not being a proper place. In all cases the holder must exercise due diligence to find the principal debtor and present the paper to him. If a note should be lost, a sufficient indemnity bond must be given to the principal debtor before payment can be secured.

58. **Forgery.**—Changing any of the necessary elements of a note so as to affect it materially is forgery—such as signing another person's name as indorser or maker, changing the amount named in the face, or inserting the words "with interest at .... per cent." Any material alteration—that is, one intended to work a hardship on the debtor—is, in effect, forgery.

CHAPTER IX.

NEGOTIABLE PAPER (Continued).

59. **A Bill of Exchange** is a written order by one party, called the drawer, to a second party, called the drawee, to pay a certain sum in money, on demand, at sight, or at a future time, to a third party, called the payee. This class of business paper is used very extensively in the commercial world as a means of avoiding the risk and inconvenience of transmitting money from one place to another. Bills of Exchange are either foreign or inland. Foreign Bills are those drawn payable in a foreign country or State. Inland Bills are those drawn payable in the same State. Bills of Exchange are commonly called drafts, which are two kinds—sight and time.

60. **A Sight Draft** is an order drawn payable at sight—that is, as soon as presented to the drawee. No delay should occur in making such presentment. Usually it should either be presented or negotiated on the following day after receiving it. If negotiated, the person who

thus receives it has until the following day, also, in which to make presentment. A draft, like money, may be negotiated any number of times.

61. A Time Draft is an order payable a certain number of days after date or sight. Such drafts should be presented on the day of maturity. They may be negotiated any number of times before maturity, the person thus receiving them in good faith, and for value, acquiring absolute title.

62. Acceptance.—This is an agreement to the terms of the draft, and is done by writing (usually in red ink, though not absolutely necessary) on the face of the draft the word "Accepted" and acceptor's name. When drafts are drawn so many days after sight, the acceptance should always be dated, as we ascertain from the date the day of maturity. Drafts payable a certain number of days after date need not necessarily be accepted, although in every instance it is better, as the drawee is not under obligation to pay until after acceptance. After the drawee accepts, he then binds himself to pay according to the terms of acceptance. A draft is said to be dishonored when the drawee refuses to accept or pay.

63. Liabilities of Parties.—The drawee of a draft, after his acceptance, is held responsible for its payment even if no demand is made at maturity. But, in order to hold the drawer and indorsers liable, demand must be made at the right time and place. In case of refusal to pay foreign bills of exchange, the bill must be protested at once. It is not necessary to protest a domestic bill of exchange, although generally done by banks. The drawer of a draft is primarily responsible for the payment of the draft before it has been accepted and in case of a refusal to accept. But after acceptance by drawee, the drawer sustains the same responsibility as an indorser. The payee, in case of a refusal of payment or acceptance by drawee, may look to drawer for payment, but he must make his presentment to the drawee, as already indicated,

for his acceptance or payment. The presentment should be made to the drawee himself, or to his authorized agent, and should be done in such manner as to give the drawee an opportunity to act deliberately. A presentment may be made personally or through the mail or by a bank.

64. A Foreign Bill of Exchange is an order drawn upon a resident of another country. Formerly it was customary to write these in sets of three and send by different routes in order to avoid the danger of delay and loss at sea. The first one of the three that was paid canceled the other two. This custom has now been largely dispensed with, and such bills are furnished only when specially called for. Such bills are always made payable in the money of the country in which they are to be paid.

FOREIGN BILL OF EXCHANGE.—FIRST.

Exchange for £1,000.

NEW YORK, N. Y., November 8, 1911.

FIRST NATIONAL BANK.

At sight of this first of exchange (second and third unpaid), pay to the order of W. A. Ross One Thousand Pounds Sterling, value received, and charge to account of

W. N. SMITH,

Cashier First National Bank.

To Bank of England, London, England.

FOREIGN BILL OF EXCHANGE.—SECOND.

Exchange for £1,000.

NEW YORK, N. Y., November 8, 1911.

FIRST NATIONAL BANK.

At sight of this second of exchange (first and third unpaid), pay to the order of W. A. Ross One Thousand Pounds Sterling, value received, and charge to account of

W. N. SMITH,

Cashier First National Bank.

To Bank of England, London, England.

FOREIGN BILL OF EXCHANGE.—THIRD.

Exchange for £1,000.

NEW YORK, N. Y., November 8, 1911.

FIRST NATIONAL BANK.

At sight of this third of exchange (first and second unpaid), pay to the order of W. A. Ross One Thousand Pounds Sterling, value received, and charge to account of

W. N. SMITH,
Cashier First National Bank.

To Bank of England, London, England.

Under the "Negotiable Instruments Law," notes executed in one State and payable in another, and drafts (sight or time) drawn in one State and payable in another, are treated as foreign bills of exchange. Such notes, therefore, not being paid at maturity, must be protested, in order to hold indorsers. Likewise, drafts, such as described, must be protested, if not paid at maturity, in order to hold the drawer and indorsers. After protesting such paper, notice must be sent to all whom it is desired to hold, any person not notified being released.

65. Bank Drafts.—A Bank Draft is an order drawn by one bank on another bank in a different place where the former bank has funds on deposit. Business men use this form of making payments quite extensively, as it is a safe means of avoiding the risk and inconvenience of sending money through the mails.

CHAPTER X.

NEGOTIABLE PAPER (Continued).

66. A Check is a written order upon a bank or banker for a sum of money, payable immediately. Checks are similar to ordinary drafts, and what has been said about drafts will apply also to checks. There are three parties

to a check—the drawer (person drawing), the drawee (bank on which it is drawn), and the payee (the person in whose favor it is made payable). A check should be presented, or negotiated, either on the day of receiving it or on the following day.

67. Use.—This kind of negotiable paper forms, without doubt, the most useful and convenient part of that class of contracts. The check is used for several useful purposes. It saves the handling of money, and when given to a creditor in payment on account it serves as a receipt. They are often sent through the mails to avoid the risk and expense of transmitting money.

68. Form.—The form of check is substantially the same as that of an inland bill of exchange, the difference being the name of the bank printed in large, plain letters across its face.

69. Negotiability.—Checks may be transferred to other persons by delivery or indorsement the same as drafts. They are usually made payable to bearer or to order. In the latter case they must be indorsed by the payee before they can be transferred. A person who indorses a check, note, or draft is liable for its payment to all subsequent parties; one who transfers his title by mere delivery is liable to his immediate transferee only.

70. Liability of Parties.—If the bank on which the check is drawn refuses payment, the payee may look to the drawer for payment. The mere giving of a check is by no means a settlement of the claim, as there is no contract whatever between the bank and the payee. And, besides, the bank is under no obligation to pay a check if the drawer has no funds on deposit, although banks do this sometimes as a matter of accommodation to their depositors. If a bank pays a forged check, it does so at its own risk, as the bank officials are presumed to know the drawer's signature and the manner in which he writes his checks. However, if the check was not written in proper style and would admit of the amount being raised so as

not to be readily detected by the paying teller or cashier, the drawer would be held responsible. For instance, if the check was written with a pencil, or the blank space left so as to change the written amount, the drawer is held responsible to the bank for the amount paid. The bank, however, must act in good faith and not be aware of the forgery. The bank must pay the amount named to the person named in the check or to his legal representative. If the payee be a stranger, he must be identified. If the check is payable to "bearer," the bank may pay to any one presenting; and even if it be a lost or stolen check, the bank incurs no responsibility to the drawer, provided the signature is valid and the check is written in the regular way. Within a reasonable time after receiving a check, the payee must present it for payment to the bank on which it is drawn. The day following the day of receipt is the time allowed if payable at a bank in the city where the payee resides. But if the payee does not reside in the city in which the bank is located, a reasonable time is allowed in which to have it presented. If the payee holds a check longer than the time allowed and the bank fails in the meantime, the payee must suffer the loss, provided the drawer had sufficient funds on deposit at the time of giving the check. Quarantine and high water are instances which excuse delay in presenting a check. As soon, however, as these are removed, presentment or negotiation must be made.

71. Lost Checks.—No general rule can be given by which the payee may recover the amount of a lost check. The common law makes no provision for this whatever, but most of the States have enacted statutes to meet the exigency. If the instrument is negotiable, the payee is usually required to give bond for at least double the amount of the instrument; but if the check is not negotiable, the payee may recover without giving bond. It is customary for the maker to immediately notify his bank of the check's being lost or stolen; and if the check is not

negotiable on its face, the maker may safely issue a duplicate. However, if the check is made payable to bearer, or is indorsed in blank, and falls into the hands of an innocent holder, for value, he can demand its payment even after the bank has been notified not to pay. The same rule applies here as in the case of lost or stolen money. Do not lose sight of this fact.

72. Certified Checks.—A certified check is one that has marked on its face "certified" or "good" and signed by one of the bank officials, generally the paying teller or cashier. A check must be certified by one who has been authorized by the bank. When this is done for the payee, the bank becomes responsible for its payment and the drawer is released from further obligation; but when the drawer has it certified and pays it out, he is still responsible for its payment in case of failure of the bank. National banks are not allowed to certify a check unless the drawer has at the time sufficient funds on deposit to pay it.

73. Certificates of Deposit.—A certificate of deposit is merely a receipt given by a bank showing that a person has left with the bank a sum of money to be paid to him, or to his order, on demand. This class of business paper may be negotiated by indorsement the same as other negotiable instruments. It is the custom of banks to allow interest on them, if the money is left three months or more. Under ordinary circumstances, it is a safe rule to look with suspicion upon any bank that pays more than four per cent interest on time deposits.

BANK OF STEWART COUNTY.

$500.00. LUMPKIN, GA., November 8, 1911.

This is to certify that T. J. Salter, Jr., has deposited in this bank Five Hundred Dollars payable to his order on surrender of this certificate properly indorsed.

No. 62. GERALD BIRD, *Cashier.*

74. Use.—This is a favorite method for depositing when the depositor expects the amount to remain in bank a long

time. Money so deposited is not subject to check, and when a partial amount is drawn out, it is either indorsed on back of certificate or a new certificate given and the old one taken up. Usually, the latter method prevails.

75. A Letter of Credit is a written letter from the bank of one country to one or more banks of another country, directing the payment of a sum or sums of money to the person in whose favor the draft is drawn, at such time or times as he may wish. Such a letter is bought by a person who wishes to travel in a foreign country, and is payable in the money of the place where the bank on which the draft is drawn is located. The purchaser is required to sign the letter in the presence of some officer of the bank, so that the foreign bank may compare the signature with the signature of the person presenting the letter.

Form—Letter of Credit.

THOMPSON BROS. & CO.

Circular Letter of Credit.

No. A. 876. BIRMINGHAM, ALA., November 19, 1911.

GENTLEMEN: We request that you will furnish Mr. Henry Brown, the bearer, whose signature is found below, with any funds he may require to the extent of One Thousand Pounds (£1,000) Sterling, against his draft upon Thompson Bros. & Co., Birmingham, Ala.; each draft to bear the number (No. A. 876) of this letter, and we engage that the same shall be honored. Whatever sums Mr. Brown may draw, you will please indorse on the back of this letter, which is to continue in force from the present date to November 19, 1912.

Very respectfully, THOMPSON BROS. & CO.

To the bankers mentioned on back of this letter.

Signature of Henry Brown.

76. Use.—These letters are used quite extensively by persons traveling in a foreign country. They avoid the trouble and risk of carrying money; are payable at differ-

ent places and in such sums as payee may desire; they also avoid the inconvenience and loss by changing money in different countries.

77. **A National Bank Note** is a promise of a national bank to pay a sum of money to bearer, on demand. These notes are protected by the United States government, and circulate as money throughout the country. Under the "National Currency Bank Bill" every national banking institution must deposit with the Treasurer of the United States gold-bearing bonds to the amount of one hundred dollars in bonds for every one hundred dollars of its own notes, and redeem these notes in lawful money on demand. Bank notes are a legal tender for all debts due the government except customs and the principal and interest of the funded debt. Although bank notes are one of the most common forms of currency and are used indiscriminately as such, yet they have never been recognized by Congress as a legal tender for private debts, and may be refused on that account. However, if they are tendered and no objection is offered, the tender is otherwise good and will be legal.

CHAPTER XI.

NEGOTIABLE PAPER (Concluded).

78. **An Indorsement** is anything written upon the back of negotiable paper and having relation to the instrument. The name of the person written upon the back of a bill or note is an indorsement. The person writing his name thereon is the indorser; the person for whose benefit the name is written is the indorsee. Indorsements are made for two purposes: (1) To transfer the title; (2) to secure the payment. When negotiable instruments are payable to bearer, no indorsement is necessary to transfer the title; but when payable to order, the payee must indorse such paper before the title can be passed to another

person. There are five kinds of indorsements in common use: (1) In Blank; (2) In Full; (3) Qualified; (4) Conditional; (5) Restrictive.

79. In Blank.—An indorsement in blank is made by the indorser's simply writing his name on the back of the instrument. A business paper thus indorsed is transferable by delivery and may pass from hand to hand like a bank bill. Should the indorsee wish to alter the indorsement and make it payable to his order, the law allows him the privilege of writing the necessary words over the indorser's signature. This is very often done, as the instrument is payable to the bearer as long as the indorsement is in blank. When a bill or note so indorsed is transmitted from one place to another through the mails, the sender incurs the risk and danger of its being lost or stolen and afterwards negotiated to a *bona fide* purchaser for value. In such cases the purchaser has a good title and may legally demand payment of the maker and indorsers. A negotiable instrument when indorsed in blank is payable to bearer as long as it remains such, even if there are subsequent full indorsements. Should a note or bill be payable to bearer, and the payee, upon negotiating, indorse it, he makes himself responsible for payment as though it had required his indorsement to negotiate it—that is, to all subsequent parties; whereas, if he transfers it without indorsing it, he is liable to no one but his immediate transferee.

80. Full Indorsement.—An indorsement in full is made payable to the order of some one, and must bear the name of the indorsee and be signed by the indorser. Business paper so indorsed is transferable only by indorsement, and may be transmitted from place to place by mail or otherwise with perfect safety, as no one can collect it without the indorsement of the last indorsee, unless forgery be committed. On account of this safeguard, in view of the danger of having it lost or stolen, a full indorsement is generally better.

81. Qualified Indorsement, or Indorsement without Recourse.—This is a manner of indorsing by which the indorser restricts his liability. Unlike a general indorser, he does not guarantee payment at all events. However, he does guarantee: (1) That the previous signatures are genuine; (2) that the instrument is not invalid on account of a lack, or illegality, of consideration; (3) that all prior parties are competent; (4) that, so far as he knows, the instrument will be paid at maturity. Such an indorsement does not impair the negotiable character of the instrument.

82. Conditional Indorsement.—A person required to pay an instrument upon which there may be a conditional indorsement may disregard the condition altogether—that is, without fulfilling the condition, he may pay it to the indorsee or his transferee. The person receiving payment, however, will hold the proceeds, subject to the rights of the person indorsing conditionally.

83. Restrictive Indorsement.—A restrictive indorsement is one in which the negotiability of the instrument is in any manner restricted by the terms of indorsement. For example: "Pay to A only," or "Pay to A for my use." In such cases the payment would be restricted to a particular person or for a special purpose. When papers are left with agents for collection, this form is generally used: "Pay to Fourth National Bank of Columbus, Ga., for collection." This does not mean an actual transfer of ownership, but vests the right of collection in another party. In the same way checks and drafts are indorsed for deposit. "For deposit and credit of A." This kind of indorsement plainly shows that the indorser does not intend to transfer his title, but merely to invest the right of collection in another party. Clearing house banks will receive no paper on deposit bearing restrictive indorsements.

84. Liability of Indorser.—Every indorser makes himself liable to every subsequent holder for the whole payment of the note or bill, unless the terms of indorsement

restrict his liability as mentioned under "Qualified Indorsement." The paper must be presented to the proper parties and at the proper time and place, if the holder expects to hold the indorsers responsible; and in case of refusal to pay, each indorser is entitled to immediate notice. The notice should be given on the same day of refusal to pay, if convenient and the parties reside in the same town. Where this is not possible, notice should be given or mailed the next day. Should a delay in giving the notice occur, due diligence must be shown. Should it be impossible to give the notice on the date of refusal and the following day be a legal holiday, the day following will be sufficient. For instance, suppose the date of dishonor should be the 3d of July, it would be sufficient to send the notice on the 5th, the 4th of July being a legal holiday. The notice must be sent by the holder himself, or his duly authorized agent. In case an indorser is not notified as above stated, he is released from all responsibility of payment, unless the paper itself contains a waiver of notice, or there is an agreement to that effect, either oral or written. Releasing one indorser releases all subsequent indorsers. The following form would constitute a proper waiver: "I hereby waive demand, protest, and notice of dishonor. E. L. Brawner."

85. A Protest is a formal and solemn written declaration by a notary public stating that a certain bill or note (usually annexed thereto) had been properly presented and that payment or acceptance had been refused. It is not necessary to protest inland bills or notes, although it is customary with all banks to do so. The case in regard to foreign bills is entirely different, and all foreign bills or notes must be protested for nonpayment or nonacceptance. The protest should be made on the day of maturity and attached to the bill or note to be held as evidence of presentment. It will be remembered, also, that when acceptance of a draft is refused it must be protested on the day of such presentment.

FORM OF PROTEST.

UNITED STATES OF AMERICA,
STATE OF ALABAMA,
COUNTY OF MONTGOMERY. } *SS.*

On the first day of November, 1911, at the request of W. N. Philips, I, R. C. Pappee, a notary public of the State of Alabama, duly commissioned and sworn, did present the original note hereto annexed to W. W. Fitzgerald, the maker, at his office, No. 8 Dexter Avenue, Montgomery, Ala., and demanded payment, which was refused.

Thereupon I, the said notary, at the request of aforesaid, did protest and by these presents do publicly and solemnly protest, as well against the makers and indorsers of the said note as against all others whom it may concern, for exchange, reëxchange, and all costs, damages, and interest already incurred and to be hereafter incurred for want of payment of the same.

This done and protested in the city of Montgomery, Ala.

R. C. PAPPEE, *Notary Public.*

To every protest made by a notary public, he must affix his notarial seal. When a notary cannot be gotten, a justice of the peace may protest paper. And any reputable citizen may do so in the presence of two witnesses, who must attest it. After protesting an instrument, notice must be sent to every indorser whom it is desired to hold. This notice may be mailed on the day following the protest, or on the first day there is a mail leaving that place.

86. Guaranty.—Guaranties relating to negotiable instruments are of two kinds—guaranty of payment and guaranty of collection.

GUARANTY OF PAYMENT.

I hereby guarantee the payment of the within instrument.

GUARANTY OF COLLECTION.

I hereby guarantee the collection of the within instrument.

87. Guaranty of Payment.—This is an absolute agreement that the bill or note will be paid at maturity. The agreement is generally written upon the back of the paper below that of the maker opposite the word "surety." The general rule is that the guarantor is not entitled to notice of dishonor or nonpayment, but it is better to apprise him of it. The guarantor of a bill or note may be sued immediately upon refusal to pay by proper parties.

88. Guaranty of Collection.—This is an agreement in which the guarantor promises to answer for the collection of a business paper. This agreement may be indorsed upon the back of the bill or note, or it may be a separate instrument, describing the paper upon which collection is guaranteed. This guarantee does not mean that the guarantor will absolutely pay the note, but that the maker will; and to test whether or not the maker can be made to pay it, suit must be brought against him before the guarantor can be sued.

89. Maturity of Negotiable Paper.—This is the time when the paper becomes legally due. Business papers are made so as to become due at sight, on demand, so many days after sight or acceptance, and so many days, months, and years after date. When the time is expressed in days, the actual number of days is counted; when in months, the time from the date of one month to the corresponding date of the following month is considered a month. For instance, a note dated June 6, payable in sixty days, would be due August 5; if payable in two months, it would be due August 6. Notes dated December 28, 29, 30, 31, payable two months from date, would all fall due on the same date—February 28—unless the year should be a leap year, in which case the first one would fall due February 28, and the other three February 29; while if the same notes were payable sixty days from date, they would fall due

February 26, 27, 28, March 1, respectively. When no time is mentioned, the paper is due immediately, or rather on demand. Notes bear interest after maturity at the legal rate, even if no mention of interest is made on their face. Formerly three days of grace were allowed, but days of grace have been abolished in most of the States. It will be but a matter of a short time when this will be the case in all of them.

CHAPTER XII.

SALE OF PERSONAL PROPERTY.

90. Definition.—A sale of personal property (that which is movable, such as horses, vehicles, grain, etc.) is a transfer of the title or ownership of the thing sold in consideration of a certain price in money or its equivalent. Title to property passes when one person surrenders his right to ownership and another person accepts it, although the property may be delivered at a future time, or the consideration be paid at any time after the sale. One may divest himself of title—that is, make an actual sale of property—and yet retain possession of the thing sold. For instance, A may buy a quantity of wheat from B and afterwards get the consent of B to allow it to remain in granary till the next day, when he will send his wagons and have it removed. Notwithstanding B still has possession of the wheat, it is no longer his property, title or ownership having passed to A. He has not, therefore, the right to use it or to sell it to another, although a better price be offered him than that paid by A. Again, should this wheat be stolen, destroyed, or damaged before removed by A, without fault of B, the loss would fall on A, the real owner. A mere contract to sell is not a sale. The distinction is an important one, and should, therefore, be kept in mind. When one contracts to sell property at a

future time, the title still remains in him, and, in case of its being stolen, destroyed, or damaged before that time, the total loss falls on him. A person who contracts to buy property at a future time does not become its owner till the designated time arrives, and therefore has nothing to lose in case of its destruction or damage beforehand.

91. Necessary Conditions.—There are three elements essential to a valid sale: First, the thing sold; second, the price; third, the consent of all the parties who have a legal right to contract.

The Thing sold must be in existence at time of sale, unless it be a promise to deliver in the future. In that event a promise to deliver in the future what the seller expects to raise, make, or go into the market and procure is valid, and the same is binding.

The Price.—The price is the consideration given by the purchaser in exchange for the property. The price must be in money or its equivalent in order to constitute a sale. Any price may be agreed upon, unless it be so inadequate as to cause one to presume there was fraud. The price must be a definite sum, but it is not necessary for the parties themselves to stipulate the price. It may be left to a third party, or may be the market price prevailing at a certain time; but should something happen to prevent the price being ascertained, then there is no sale.

Consent of Parties.—Like all other contracts, there must be a mutual consent of both parties to the terms of the contract; otherwise there can be no sale.

92. Statute of Frauds.—The British statute of frauds passed in the year 1677 has been reënacted, with some modifications, in almost every State of the Union. The seventeenth section of this law provides that "No contract for the sale of goods, wares, and merchandise for the price of ten pounds sterling or upward shall be allowed to be good, except the buyer shall accept and receive part of the goods so sold and actually receive the same, or give something in earnest to bind the bargain, or in part payment,

or that some note or memorandum of said bargain be made and signed by the parties to be charged by such contract or their agents thereunto lawfully authorized." Similar enactments are found in every State of the Union except Arizona and Delaware. The usual limit of value is fifty dollars. This, however, varies. This statute applies only to contracts that are to be performed in the future. In cases where the thing to be delivered does not exist, but is to be manufactured or made, it is not determined as to whether the statute applies or not. In New York it does not apply in such cases. In one or two States, however, where the goods are such as the seller manufactures continually in the course of his business, the statute applies. The statute also embraces all contracts for property which exists at the time in the same condition in which it is to be delivered, and where the contract requires nothing more than delivery of property and payment of price. If A agrees to sell B five hundred bushels of corn at seventy-five cents per bushel, corn to be shelled and ready for delivery, and B accepts the offer and promises to call for it, the statute applies, and A need not deliver the corn unless the contract be in writing. Where the contract comes within the statute, the law requires one of three things—either (1) part payment; (2) acceptance and receipt of the buyer; or (3) a written note or memorandum, properly signed, of the contract. Any one of these three things will satisfy the statute and make the sale valid. The note or memorandum may be made at any time after the bargain is struck, and before an action for its enforcement is brought (auctioneer's memorandum excepted). Such note or memorandum must be signed by the party to be charged and must contain the whole agreement, though no particular form is necessary. In the absence of a note or memorandum a sale becomes binding if the buyer receives the goods, or even a part of them. A mere delivery of goods is not sufficient to make the contract binding. The buyer

must take possession of goods with the intention of receiving them as owner.

93. Title.—We have seen in the chapter devoted to "Negotiable Paper" that a holder in due course—that is, a purchaser for value and without notice of fraud—acquires good title to such paper, even though it be purchased from one not the real owner of it. Negotiable paper could not meet the needs of the commercial world were this not the case, for it was designed to take the place of money in the course of trade. It will be seen at a glance that if one were compelled to investigate the title to such paper, when offered to him, it would not serve its purpose. But, while this liberal provision applies to all forms of negotiable paper, it does not to any other class of property. If, therefore, A steals a horse and then sells it to B, the real owner of the horse can compel B to return it to him. This rule applies to all non-negotiable paper also. When one, therefore, purchases such paper, or purchases horses, grain, goods, etc., he must know that he is purchasing from the owner, or his duly authorized agent, if he would be safe. No person without title to such property can convey any to another person, notwithstanding the price paid to him, or the care exercised by the purchaser in knowing the owner of the property. It is only in the case of negotiable paper that a finder or thief can convey title to an honest purchaser, for value, which will hold good even against the real owner of it.

94. Warranty.—Warranties are either expressed or implied. *Caveat emptor* (let the buyer beware) is the maxim of the common law.

95. Express Warranty.—An express warranty is any statement made by the seller in regard to the article sold at the time of sale. Statements made by the seller after the time of sale are not binding, from the fact that he then receives no consideration to sustain them.

96. Implied Warranty.—The possession of chattels at the time of sale implies ownership. An implied warranty

is based upon anything the buyer has been given a right to understand concerning the goods. It is, of course, just as binding as an expressed warranty.

97. **Fraud.**—The defrauded person has a right, in law, to promptly return the goods and recover his money, or he may keep the goods and bring suit for damages. This right allows reasonable protection. If both the seller and buyer defraud each other, there is no fraud, according to law.

98. **Delivery of Personal Property** is a transfer of control of the same. It may be made by accepting a sample of goods; by handing over the key to a store or warehouse; by indorsing a bill of lading or shipper's receipt; by transfer of anything representing the property; or by actually delivering (by the seller) and receiving (by the buyer) the goods.

99. **Stoppage in Transitu.**—This is the right of an unpaid seller to regain possession of goods in transit, or in the hands of a third person, the buyer having failed to pay in full for the goods, having become insolvent, or having misrepresented his financial condition. These conditions being true, proper written notice should be given to the carrier or third person not to deliver the goods, and such carrier or person may be made responsible for any loss in case he violates said notice.

100. **Sales at Auction.**—A public sale of property to the highest and best bidder is an auction sale, and must be so conducted that free and fair competition may be had. By-bidding and combination bidding are unlawful and render a sale voidable, at the option of an honest buyer.

101. **A Chattel Mortgage** is a conditional sale of chattels (goods or effects remaining in possession of the mortgagor), which will become void upon the payment or discharge of some debt; otherwise the sale will hold good. This is sometimes given by a person who borrows money, which is security for the same. Upon payment of the money the chattel mortgage becomes void. If, however,

the mortgage is not paid at maturity, the mortgagee is not entitled to the goods. They must be sold according to due process of law, and after all expenses of the sale have been paid; then only is the holder of the mortgage entitled to receive his portion of the debt with interest. Should there be anything remaining, after all claims are settled, it goes to the mortgagor.

CHAPTER XIII.

BAILMENT OF PERSONAL PROPERTY.

102. A Bailment of Personal Property is an absolute delivery of some chattel by one party to another to be held according to the stipulated purpose of the delivery, and when that purpose has been accomplished to be returned.

103. Parties.—The parties to a bailment are called the bailor and bailee. The bailor delivers the chattel, and the bailee accepts the trust.

104. Kinds of Bailment.—Bailment, as a rule, is divided into five different kinds—namely: Deposit, an instance where goods are kept gratis for the benefit of the bailor; Mandate, a delivery of goods to a party who is to care for them or do something to them gratis; Loan for Use, where goods are lent to a friend gratis to be used by him; Pledge or Pawn, a bailment of chattels as security for some debt or obligation; Hiring, the letting of property for a consideration.

105. Diligence and Negligence.—In cases of bailments the law recognizes three degrees of diligence, with the corresponding degrees of negligence—namely: (1) Slight Diligence, (2) Ordinary Diligence, (3) Great Diligence; (1) Slight Negligence, (2) Ordinary Negligence, (3) Gross Negligence. In such cases where the bailment is

solely for the bailor, as in the case of deposit and mandate, the bailee is bound to take slight care, and is responsible only for gross negligence. If the bailment be for the benefit of both bailee and bailor, as in the pledge and hiring, ordinary care is required of the bailee and he is responsible for ordinary negligence. If the bailment be for the benefit of the bailee only, as in the case of loan for use, the bailee must exercise great diligence, and is held for slight negligence. In determining whether or not one has exercised the care incumbent upon him, in any case, we do not take as our standard a careless person, or an overcareful one, but one who is ordinarily prudent. That is, when a bailee exercises the care over property intrusted to him that an ordinarily prudent person would have exercised, under the same circumstances, no further obligation rests upon him. Even in case of total destruction of the property, or its having been stolen, when such care is exercised the bailee is not liable for it.

106. Deposit.—A deposit is the keeping of goods by bailee for the bailor without compensation, to be returned when called for. This must be a voluntary undertaking on the part of the bailee and the trust to be fulfilled without reward. The goods and chattels are to be returned in the same condition, as nearly as possible, as when received. A depositary is excused from returning goods in such cases where their loss was caused by some inevitable accident, or where they perished from their own defects, or where they were destroyed by reason of their own perishable nature, or where the loss was owing to only a slight neglect of the depositary.

107. Mandate.—A mandate is a bailment of some personal property upon which or about which the bailee agrees to do some act without recompense. The bailee in this instance is responsible for gross negligence only. The mandate is governed by the same general rules as the deposit, and it is to be borne in mind that they are both gratuitous undertakings. When the bailee fails to perform

his part in good faith, and through his carelessness the property becomes in some way damaged, then he is held responsible. In promising to do a gratuitous act there would be no liability if the party so promising were not to begin the work; but if he really begin, then he is held responsible for any loss that the other party may be occasioned through his negligence or carelessness.

108. Loan for Use.—A loan for use is a bailment commonly known as borrowing. It is the lending of an article to a party to be used by him without paying anything for its use. The thing borrowed must be used as per agreement; and should loss result from such use, proper care having been exercised, the borrower will not be held responsible. In all such cases, the bailee derives the sole benefit, and therefore he is to exercise great care of the property intrusted to him.

109. Pledge.—A pledge or pawn is the bailment of chattels as security for some debt or obligation. The pledge is given for the security of some debt or obligation, but is not necessarily for the debt of the pledgor; it may be for any debt. The pledge must be delivered to the pledgee. The delivery may be either actual or constructive. The pledge is the special property of the pledgee, and he has exclusive right to hold the same against all parties. If the pledgee voluntarily relinquishes his claim to the pledge, he cannot regain possession of it; but if it be wrongfully taken from him, he may sue and recover it. The pledgee has the right to hold the property as security, and may sell it after the time expires. Should there be no specified time, the pledgee may sell it after a reasonable time; but the pledgee cannot sell it before the time expires during which the pledgor may redeem it. Pawn shops are subject to specific laws which differ in many States.

110. Hiring.—Hiring is a bailment where some personal property is let out for use and a charge is made for same. The hirer is the man who hires the property or chattel, or

the services of another. The owner of the property, or the party who offers his services for hire, is called the letter to hire. The hirer pays a sum for the benefit which he expects to derive from the use of the property hired, or from the labor performed for him. It is the duty of the letter to hire to make such delivery of property as is customary, and after delivery he must not interfere with it, so long as the hirer is using it for the purpose, and in the manner agreed upon by the parties at the time of hire. Should the hirer put the property to other use than that for which it was hired, then the letter to hire may peaceably take possession of it; but cannot do so by force. The letter to hire must keep the property in necessary repair, but ordinary expense while in use is to be borne by the hirer, such as feeding a horse while in his hire. It is the duty of the hirer to exercise ordinary diligence over the property while in his possession, and he will be responsible for loss caused by his neglect or those under his instruction. He must return the property at the stipulated time, and the same must be in as good condition as when hired, with the exception of wear caused by proper use.

CHAPTER XIV.

COMMON CARRIERS.

111. A Common Carrier is a person, company, or corportation that, by means of suitable conveyances, undertakes as a business to transport persons or goods for a compensation.

112. Responsibility of Carriers.—Unless the common carrier can show that any damage or loss occurred from natural causes, the perils of the sea, or the public enemy, he can be held liable for the same; hence, the law requires extraordinary responsibility on the part of the common

carrier. Concerning goods, the rule of law for determining ordinary loss or damage is as follows: "The measure of damages is the value of the goods in the market at the place where the carrier promised to deliver them." A bill of lading generally contains a contract specifying what perils a carrier is responsible for, and this contract must be carefully considered in fixing the loss or damage. Of course any stipulation in a bill of lading contrary to statute is not binding upon a shipper or bailor.

113. Negligence of Carrier's Agents.—Since an agent may do whatever his principal has authorized, it follows that the negligence of a servant or agent of a common carrier is dealt with as if it were the negligence of the carrier, so long as the agent acts within the scope of his authority.

114. Special Privileges.—The carrier is required to use extraordinary care, but at the same time the law gives him peculiar and special privileges. Among them, he has a right to collect fare or charges in advance; he has a lien on the goods he carries and on the baggage of passengers for his compensation; he may refuse to carry persons or goods when he has good reasons for believing his business may be harmed thereby; he has a right to know the nature and value of the goods offered for transportation, so that he may understand the risk and charge accordingly, thus limiting his liability.

115. A Common Carrier of Freight is a person, company, or corporation that, as a regular business, "undertakes, for hire, to transport the goods of such as choose to employ him, from known and definite places to other known and definite place or places."

116. Carrier's Rights.—In general, the carrier's rights are such as we have described under Special Privileges.

117. Carrier's Liability.—This may be understood by carefully reading what is said under Responsibility of Carriers.

118. A Common Carrier of Passengers "is a person,

company, or corporation that, by means of suitable conveyances, transports persons for a compensation."

119. Carrier's Rights.—He may require payment of fare in advance, and if payment be refused decline to transport the person; he may put a person off at the first station should the person refuse to produce his ticket or pay his fare, but the carrier must not use unnecessary violence; he may refuse to carry a disorderly person, or one who might injure his business; he is not liable for a passenger's negligence, such as losing his ticket, his money, his gripsack (unless checked), and ordinarily is not liable for injury to those who pay no fare; he is not usually liable for unnecessary baggage nor for carelessness respecting the same, and may limit his liability therefor to a specified amount. By making reasonable rules and regulations, and by properly displaying them, he may lessen his liability.

120. Carrier's Liability.—A carrier of passengers must treat them civilly, and all alike, the passengers not being filthy, or having a contagious or infectious disease, or guilty of misconduct, and must receive them until his accommodations are exhausted. He must carry passengers over the whole route, on advertised time, unavoidable delays excepted, or provide proper means of transport; he may demand only a reasonable or usual compensation, and must notify his passengers of any peculiar danger known to the carrier.

121. Telegraph Companies.—When the proper pay has been offered an agent for the company, the company must accept and send the message as offered by the sender, if it is written in decent language. Messages must be sent in regular order and without unnecessary delay, and must be delivered, if possible, usually within one mile of the office where received. For failure to observe these rules the company is liable for any damage which may be caused.

CHAPTER XV.

INNKEEPERS.

122. An Innkeeper is one who keeps a public house for the purpose of lodging travelers and providing them with food in consideration of due recompense. A guest is a person accepted by the inn (hotel) to be accommodated, and one who pays for such accommodations. He is usually a traveler. If one makes the inn his permanent home, then he is not considered a guest, but a boarder. A boarder is somewhat different from a guest, as an innkeeper is usually responsible for his guest's property, but he is not for a boarder's.

123. The Rights of an Innkeeper.—An innkeeper has a right to demand payment in advance for entertainment, and can require a guest to leave if at any time the guest should refuse to pay in advance. Disorderly or intoxicated persons, or a person with a disease that might endanger the safety of the guests, may be refused by the innkeeper. The innkeeper may limit his liability, or lessen it, by properly notifying his guests that money or other valuables of the guests must be deposited with him, otherwise he will not be responsible for them. The innkeeper has the right of lien, and may detain any goods of his guests as security for reasonable charges made by the inn. Said goods may be detained until the charges have been paid.

124. Innkeeper's Liabilities.—An innkeeper must serve impartially, up to the limit of his facilities, all who apply to him for entertainment, and is liable to an action at law for refusing to do so unless he has a just excuse for such an act. He is liable also for goods, money, baggage, etc., belonging to his guests; also for the acts of his servants; and is liable to guests for acts of misconduct of

other guests of the inn, and for all damages not the act of God or the public enemy.

125. A Boarding House Keeper is one who receives, for due compensation, persons desiring board and lodging. Boarding house keepers are not compelled to take parties that apply to them for board, nor are they liable for the goods of their boarders, nor can they hold goods belonging to a boarder, unless the same be provided by statute, as in the case of some States.

CHAPTER XVI.

AGENCY.

126. An Agency is either an expressed or implied contract, giving authority to one person, the agent, to act in the place of another, the principal, in a business matter. Agency is the outgrowth of commercial and social necessity and convenience. The affairs of life are such that in many instances it becomes absolutely necessary to employ others to act in our stead. It is a general rule of law, therefore, that whatever a person has a legal right to do he may appoint an agent to do for him. The contract between the principal and agent is in the nature of a trust, and whatsoever is done by the agent within the scope authorized by him is, in law, the act of the principal.

127. How Created.—The contract for creating an agency may be a writing under seal, a verbal agreement, a written agreement, a verbal appointment, or may be implied from circumstances and facts. A contract under seal is one such as a "Power of Attorney," and must always be in writing before its authority will be acknowledged. The conveyance of any contract required to be under seal can be made only by an agent whose authority is a sealed instrument. Ordinary contracts require only a written or verbal agreement or appointment.

128. The Principal is the person for whom business is transacted by another. He must be a competent person—that is, must be of sound mind and lawful age. No one is permitted to delegate another to perform acts which he cannot perform for himself. When competent to bind himself, however, he may appoint as many agents as he chooses; and the acts of such agents, within the scope of their authority, are regarded, in law, as his acts, and thus he is bound by them. As a rule, he may appoint any one he chooses as his agent. Married women, who by the law are restricted from doing certain things, may be appointed to act as agents, inasmuch as their acts are considered the acts of the principal; and even minors may be appointed as such, provided they are not of very tender years. A lunatic or imbecile cannot act in such a capacity.

129. The Agent.—The agent is the person who receives the agency, and may receive his authority by a formal appointment, either verbally or in writing; or by implication he may be considered the agent—for if a person willingly permits another to do things in his name of which he is aware, it is presumed that he has given him authority; as where he allows him to sell an article without objection, he will be bound to the sale. If the act to be done for the principal is required to be done under seal, then an implied authority will not do; the appointment as agent must be under seal. The same general rule applies where the agent is appointed by a corporation. Agents are classified as follows: General and Special, the former being one authorized to transact all the business of his principal of a certain kind or in a certain place, and the latter being one authorized to act in a specific transaction only.

130. Liability of Principal.—The principal is liable for the acts of the agent when he (the agent) is acting in fulfillment of the agency. Hence, what the agent does *within the scope of his authority and in the name of the principal*

binds the principal. In order to hold the principal responsible for any act of the agent, it must be shown that the thing done was at the time he was performing duties of the agency and not while he was attending to his own business. Statements, representations, and admissions made by an agent concerning the business he has authority to attend to, and while in performance of the same, are binding upon the principal, as much so as if made by the principal himself. It must be remembered that such statements, representations, and admissions, in order to be binding upon the principal, must have been made by the agent under authority, either expressed or implied, and they must be regarding a matter that comes within the scope of his authority and the time of the transaction to which they relate. The principal, in like manner, is answerable for false and fraudulent representations of his agent. The principal is not liable for any willful act of his agent. The principal is liable for costs and damages incurred by the agency, when such are not the fault of the agent.

131. Duties of Agent.—In selecting an agent to manage our business and affairs, it is natural that we desire some person in whose ability, integrity, honesty, and sincerity we have confidence. Hence, an agent is bound to exercise ordinary diligence about the work to be performed by him. He must obey the specific instructions given him by his principal, unless by some peculiar and unforeseen circumstances he is rendered unable to comply with such instructions. He must be loyal to his trust, and is not permitted to secretly reap a benefit at the expense of his principal by dealing in the business of the agency for his own profit. All profits above the agent's salary and commissions made during the course of the agency belong to the principal, whether made in strict performance of duty or in violation of trust. Thus, where an agent is instructed to sell an article at a certain price and he sells it for a higher price, the profits occurring from the same are

the principal's and not the agent's, and it is the duty of the agent to turn such profits over to his principal. Again, an agent should obey all lawful and reasonable instructions; and should damage ensue on account of his negligence, or should a loss arise from his disobedience, or from failure to faithfully perform his duties, he will be responsible to his principal for such damages or loss. As where an agent is instructed to sell for cash and he sells on credit and loss is occasioned thereby, he is responsible to his principal for the loss. Again, if an agent be instructed to use certain lawful methods and all due diligence in performing certain duties, and he fails to do so, he at once becomes liable to his principal, and, furthermore, his employment may be terminated on the plea of habitual disobedience. A departure from instructions may be warranted where sudden necessity demands it. In such cases the agent is required to exercise sound discretion in behalf of his principal's interest. In every transaction, it is the duty of the agent to disclose his principal. Unless he does so, he may be held liable for his acts. In executing a note or other written instrument, he should sign his principal's name first, followed by his own, with the word "agent" affixed.

132. Termination.—An agency may be terminated in three ways: (1) By revocation; (2) by renunciation of power by the agent; (3) by operation of the law.

133. Revocation.—The principal has the power and right to revoke the authority given to an agent at any time the authority has been executed in any part, provided it does no hurt to the agent. But where the authority is coupled with an interest, or is given for a valuable consideration, it cannot be revoked, except by express agreement. Where the agent is employed for a certain length of time, the principal has no right to revoke his authority, unless it be through his (the agent's) misconduct, negligence, or disobedience. And should the principal revoke his authority, the principal becomes liable to the agent

for any loss or damage that ensues therefrom. Should an agent show himself incompetent and unfit, or lacking in skill to properly conduct the agency intrusted to his care, or possessing these requisites and refusing to exercise them, then the principal may discharge him without liability for breach of contract.

134. Authority May Be Revoked by a formal and public declaration, by writing, or by verbal announcement to the agent, or by implication. It is implied when the principal disposes of the subject-matter and places some hindrance in the way, as when he appoints some other agent to do the same work. A revocation becomes operative to an agent from the time he receives notice thereof.

135. Renunciation.—The agent has the power to renounce the authority of the principal at any time, but he will become liable in damages for breach of contract if the employment is for a definite length of time which has not yet expired. It is the law in some States that where an agent quits before his time expires he cannot recover compensation even for what he has done.

136. By Operation of Law.—The death of the principal, as a rule, terminates an agency, unless the agent's authority be coupled with an interest. The death of the agent absolutely terminates the agency, unless the power be coupled with an interest. Insanity of either party, bankruptcy, extinction of the subject-matter of the agency, and in some cases marriage, terminates an agency. Lapse of time also terminates an agency, as where it was created for two years, and the two years expire.

CHAPTER XVII.

PARTNERSHIP.

137. Definition.—When two or more persons combine their property, labor, or skill for the transaction of some lawful business, as principals or owners, for their common profit, it is a partnership. A partnership, therefore, is the result of a contract between the parties. Where the intention is to conduct a business or common undertaking, and to *share the profits between them as common owners,* a partnership is created.

38. How Formed.—The liability and authority of the partners begin with the actual formation of the partnership—that is, as soon as a contract is entered into. Aside from the statutes, these contracts may be oral or written. It will be remembered, however, that the statutes of frauds, mentioned in the chapter under "Contracts," require that all contracts which are to extend through more than one year, or which are for the purchase or sale of real estate, must be in writing. This applies to contracts of partnership as well as to all others. In every instance, it is better to reduce the agreement to writing, as the partners are thereby better enabled to settle any differences which may arise among themselves.

139. A Partner is one who has an interest in the partnership, and a right to control the business of the same. Usually the rights and duties of partners are stated in the contract; but this has nothing to do with their liability to third parties—that is, persons who are not members of the firm—for the law limits and controls their relations to third parties, as such.

140. A Minor (one not of legal age) may become a partner; but as he may avoid other contracts, he may also avoid partnership debts. After he becomes of legal age he

may ratify contracts made during his minority, and thus bind himself.

141. **Ostensible** or **Real Partners** are persons whose names are made known and appear to the public as partners; hence they have the right to enjoy all the benefits of the business, and they are required to assume all risks or liabilities of said business. Not only is their partnership property bound for partnership debts, but the private property of every partner is bound also. The partners are bound collectively and individually for partnership obligations.

142. **Nominal Partners** have no real interest in the business or profits, but allow the public to believe them to be partners, since their names are used as such. They are partners in name only, but on grounds of common justice they are liable to third persons for the firm's obligations, in the same manner as real partners. They bring upon themselves such liabilities by mere holding out or estoppel.

143. **Dormant** or **Silent Partners** are those who enjoy the benefits of the partnership, and are actually partners, although that fact be kept a secret from the public. Should their true relation to the business be discovered, they may be held liable for all the debts of the firm.

144. **Special** or **Limited Partners** are those who, by conforming to the law of the State in which a firm does business, may limit their liability to others for the debts of the firm. Usually, the amount is made equal to the investment of the special partner; the copartnership contract is generally under seal, and the statute ordinarily requires it to be recorded in the books of record at the county seat. This is required to insure the validity of the contract, and as a warning to creditors, since recording it is held to be a general notice to the public. In every limited partnership, there must be one or more general partners, who are liable to the creditors for all debts of the firm, the same as in ordinary partnerships.

145. Powers of Partners.—Unless otherwise agreed among themselves, any partner may collect debts due the firm, pay the debts owing by the firm, borrow money for the firm, loan money belonging to the firm, sign notes, accept drafts drawn on the house, represent the firm in legal proceedings, and, in fact, do anything for the benefit of the business that a prudent person might do for himself. But he cannot use the property, or the credit of the firm, for his personal benefit, nor make any contracts in the name of the firm which require the use of a seal to make them valid, without the consent and authority of his copartners. Unless stipulated, no partner is entitled to a salary, even though he be a managing partner. While attending to the business of the partnership, he is attending to his own business, and is not entitled to a salary.

146. Liability of Partners.—(*a*) To each other: Each member of the partnership is liable to the firm for willful negligence of the business, as well as any culpable loss that the business may sustain by reason thereof. (*b*) To other persons: Each partner is liable to third persons for all of the partnership debts, to the full extent of his own property, unless he is a special partner.

147. Dissolution of Copartnership.—When the partnership agreement expressly provides for its termination, the time of dissolution is a part of the contract, and it will close as stipulated. However, if no time be fixed for dissolution, the members of the firm may dissolve it at any time, or continue it, at their pleasure. All partnerships formed for some special purpose are presumed to be terminated when the business be finished for which they were formed, but "a partnership may be legally dissolved for some legal cause at any time." Ordinarily a partnership may be dissolved by mutual agreement of all the partners, by act of one of the partners, by decree of a court of equity, by operation of law—each of which we shall discuss.

148. Dissolution by Agreement.—By mutual agree-

ment of all the partners, a partnership may be dissolved at any time, without considering the time fixed for dissolution. Having the right to enter into a contract of partnership, they have the right, also, to dissolve it at their pleasure.

149. Dissolution by Act of a Partner.—Whenever one member of the firm sells his interest, or makes an assignment of his partnership property, the partnership is dissolved. When no fixed time for dissolution is stated in the partnership contract, one or more of the partners may dissolve it at pleasure. But when some fixed time is expressed in the contract, such partner or partners are liable to the others for damages if they withdraw without the consent of all composing the firm.

150. Dissolution by Decree of the Court.—Courts of equity have the authority to dissolve a partnership for just and reasonable causes. The courts will generally order a partnership to be dissolved if gross immorality, habitual absence, abuse of authority, etc., by a partner is shown. The inability or impracticability for one or all of the partners to carry out the provisions of the contract, or hopelessness of success, are good grounds for a court to order a dissolution. Insanity of a partner, which disqualifies him as such, and also makes him incapable of protecting his own interests, is a ground for dissolution by a court of equity.

151. Dissolution by Operation of Law.—Death of a partner dissolves an ordinary partnership instantly, and no notice of dissolution is necessary as to third persons. The marriage of a female partner at common law dissolves a partnership, but this has been changed in many States by statute. When the members of a firm become alien enemies, the partnership is dissolved immediately. The sale of all the firm's property or a partner's interest, also bankruptcy of the firm or a member of it, has the effect of dissolving a partnership immediately.

152. Powers and Duties of Partners after Dissolution.

—In the absence of any agreement as to how the losses and gains are to be divided, the partners will share the same equally, and in this case no partner may charge for his services, whether they are ordinary or extraordinary. After dissolution, the partners may appoint one or more of their own number to settle the affairs of the business, or all of them may jointly assist in closing the same. Each partner has a right to have the property of the firm used in paying the debts of the firm before a division of property is made among themselves. Whatever a partner invests must go to his credit, as well as his share of the net profits, when they are divided; what he draws out must go to his debit, and so must his share of the net loss, if any.

CHAPTER XVIII.

CORPORATIONS.

153. Definition.—A corporation is an association of persons who, by complying with certain statutory requirements, may, through its officers, transact business as one person might do it—that is, a corporation is an artificial person created by law, and is, for certain purposes, recognized as a natural person.

154. Compared with Partnerships.—Like a corporation, a partnership is a collective body. Partnership is a contractual relation, and the death of any member works a dissolution. An assignment of his interest has a like effect. Every member of a partnership is personally liable for all the obligations of the firm. That is, if a partnership firm does not possess enough property to satisfy its obligations, the private property of any member of it may be taken by the firm's creditors. On the other hand, no change in the membership of a corporation, its stockholders, or officers, affects the legal standing of the corpo-

ration itself. One of its attributes, therefore, is perpetual succession. Its membership may be renewed any number of times without disturbing its legal existence, or its legal title to property. As a rule, all corporate acts are binding upon the corporation only and its assets, there being, in the absence of a special statute imposing it, no liability upon the members or their private property. In its corporate name it may sue and be sued.

155. Importance.—On account of the liberal provisions attending corporations, they have become very numerous. Within the past few years, the number has been greatly increased. They provide an excellent means of uniting large masses of capital in private undertakings. The largest enterprises, such as railroad, insurance, banking, manufacturing, are conducted by means of incorporated companies. It is quite common, also, for persons who desire to engage in smaller undertakings, such as the mercantile business, to form a corporation, and thereby lessen their liability.

156. Kinds of Corporations.—Generally speaking, corporations are divided into two classes—public and private. Public corporations are governmental institutions, created for the administration of public affairs. To this class belong the State, cities, towns, counties, etc. Private corporations are those created to accomplish some private end. In other words, they are organized, under general laws, by private individuals, for the purpose of conducting private enterprises. Railroad, telegraph, insurance, banking, and manufacturing corporations belong to this class. In some instances, railroad and telegraph companies are styled *quasi*-public, or public service corporations. In fact, however, they are private corporations, organized for private gains, notwithstanding they owe important duties to the public.

157. How Created.—We have already seen that public corporations are governmental institutions, created by law, for the administration of public affairs. We will now

note the usual steps in organizing a private corporation, as this treatise pertains especially to this class. Of course, as a private corporation is a child of the State, it follows that the legislature, by special act, can create one at any time. In order, however, not to be burdened in this way, most States have enacted general laws, enabling persons who desire to form a corporation to do so through the channels designated, and, too, without having to wait for a session of the legislature. Generally, a corporation commission, comprised of suitable persons, is provided, whose duty it is to receive and act upon applications for charters. Usually, there must be three or more persons who unite in this application, and they are generally required to give the name of the proposed corporation, the place where the principal office is to be located, the names and addresses of the officers and directors for the first year, the maximum and minimum capital stock, the nature of the business to be done by the corporation, and all other needful information. If a charter be granted, the article of incorporation must be recorded, usually, in the office of the secretary of the Commonwealth, and filed in the office of the probate judge. These things done, the organization is complete, and the charter granted becomes a contract between the State and the corporation. Unless, therefore, the State reserves to itself the right to revoke this charter, or unless the corporation violates its franchises, the State has no right to revoke or annul it. A substantial compliance with the terms of the charter is always required by the State.

158. The Capital Stock is the common fund employed in conducting the business of the corporation, divided into shares of equal amount and owned by the members of the corporation, who are, of course, stockholders. Each stockholder should receive a certificate or certificates representing his proportionate interest in the business.

159. Following is a form of certificate of stock in common use:

ALABAMA DEVELOPMENT COMPANY.

Number. Shares.
27. 100.

This certifies that W. H. Jenkins is the owner of one hundred shares of the capital stock of the

ALABAMA DEVELOPMENT COMPANY,

a corporation duly organized under the laws of the State of Alabama. Said stock is fully paid and nonassessable, and is transferable only on the books of the company in person or by attorney, on return of this certificate properly signed.

In witness whereof, said company has caused these presents to be subscribed by the president and secretary, and its corporate seal to be affixed at Birmingham, Alabama, this 15th day of December, 1910.

WILKINS THOMAS, *Secretary.*

[SEAL.] HENRY WILLIAMS, *President.*

160. The Shares of stock may be sold or transferred by writing the proper indorsement on the back of the certificate. The purchaser should present the certificate to the secretary or other proper officer of the corporation and obtain a new certificate in place of the former.

161. Powers and Liabilities.—Generally, corporations have the power to transact a lawful business in any State, so long as they comply with the laws thereof. They have the right of perpetual succession, and can elect and pay their own officers, unless limited by charter or prohibited by law. They may sue and be sued in their corporate name. A corporation can make any contracts so long as it does not violate its corporate business or powers granted by its charter, and may, unless limited by law or by charter, buy and sell property to any extent, and use a common seal. Corporations are subject to visitation and inspection by proper governmental officials, and may be required by statute to make periodical reports of their receipts, expenditures, resources, and liabilities,

162. Officers.—When the stockholders elect their officers, the business of the corporation is put into the management and control of such officials; hence they have the authority and power to transact all lawful business belonging to the corporation, subject to the by-laws or rules of the same.

163. A Stockholder is usually liable for only the amount represented by the shares in his name, as shown by the books of the corporation. However, in some States, by special statute, a stockholder is liable for an amount equal to twice the par value of the shares owned by him, and in others for the entire indebtedness of the corporation. In all of the States, holders of National Bank Stock are liable for twice the par value of their shares, according to United States statutes.

164. Dissolution.—The charter may specify the time for the corporation to terminate—that is, it may expressly state that it is to continue for a definite number of years, say fifteen, or until a specified undertaking is accomplished. Accordingly, therefore, those composing the corporation have no authority, as such, to continue longer. Should they continue to do business after the expiration of their charter, they become liable as partners. The dissolution of a corporation may be effected, also, by an act of the legislature, provided the State, under general laws, has reserved to itself such a right. Without such reservation, however, the State has no right to revoke a charter which it has authorized. Again, a corporation, by nonuse or disuse of its franchises, forfeits its charter, and, for such cause, a State may annul it. The charter being a contract between the State and corporation, it necessarily follows that the State only has the right to proceed against a corporation in such cases—that is, no private individual can take steps to have the charter of a corporation revoked. Lastly, a corporation may dissolve itself by surrendering its charter, the same being accepted by the State.

CHAPTER XIX.

INSURANCE.

165. Definition.—Insurance is a contract whereby one party, called the insurer or underwriter, obligates, for a consideration, to indemnify another, called the insured or assured, against risk or loss.

166. Life Insurance.—Life insurance is a contract whereby the insurer agrees, in consideration of certain premiums, usually to be paid annually, to pay unto the insured, or whomsoever he may designate, a certain sum of money, either on the death of some specific person, or at the expiration of a certain time, provided death does not occur before such expiration.

167. Insurable Interest.—An interest in the subject-matter of the insurance is now almost universally required to support a life policy. Any one may have his own life insured; but if he wishes to have some one else's life insured, and have the policy in his name, interest must be shown. A father has an insurable interest in his minor children; the minor children in the father; a husband in his wife; a wife in her husband. A sister has an insurable interest in the life of a brother upon whom she is dependent for support.

168. Application.—Every life insurance company requires an application, usually in writing, to the insurer by the insured. This application is a printed blank, arranged by the insurance company, and contains questions to be answered in good faith by the one to be insured, relating to the age, residence, place of business, and occupation of the applicant for insurance; his insurable interest in the applicant for insurance, as well as the age, name, residence, occupation, general health, both past and present, and general habits and morals of the one to be insured, together with certain facts concerning his ancestors,

as regards the diseases of which they died, and also their ages at the time of death.

169. An Insurance Policy.—The policy is the written contract between the insurer and the insured. It contains the conditions, and must necessarily be closely observed and then closely followed by the insured. It usually contains clauses relating to amount of premium to be paid, suicide, entering into naval or military service, etc. Insurance companies, in some instances, allow their insured to enter the naval or military service by requiring them to pay an extra premium, and, in others, without such requirement. The policies are much more liberal now than formerly.

170. Payment or Indemnity.—This is made at death, or at the expiration of the time specified in the policy. A death claim must be accompanied by a physician's certificate, hence the company must have a formal notice and proof of death. Insurance companies usually have a time specified in which proof of death must be made. It is the duty of the estate of the deceased, or the beneficiary, to look over the policy immediately after the death of the insured, and comply with its terms at once.

171. Fire Insurance.—Fire insurance is a contract in which the insurer indemnifies the insured for loss or damage, occasioned by fire, within a specified time. It is an insurance for the protection of property, and without it there would be a hesitancy on the part of men of wealth to invest in many worthy enterprises. By a small assessment, or premium, to be paid monthly, quarterly, or annually, a fund is accumulated which is used to pay indemnities in case of loss or damage by fire. The many contribute to this fund; hence when a man suffers a loss by fire he does not suffer alone, but all who have contributed to this fund help to sustain the loss.

172. Insurable Interest.—The insured must have an interest in the thing insured; otherwise the policy is void. A policy without interest would tempt men to the feloni-

ous act of destroying property by fire, and in destroying the insured property subject surrounding property to danger. In order that fraud may be prevented, it is the duty of the insurer to ascertain the amount of interest the applicant has in the property to be insured. A mortgagor has an insurable interest in the property covered by the mortgage, provided his right to redeem has not been cut off by foreclosure. So has a mortgagee, and a holder of a mortgage as collateral security.

173. The Policy.—As stated in life insurance, the policy is the written instrument containing the agreement of the insurance; and, as in life insurance, it contains many conditions, and should be closely read by the applicant before insurance, and then as soon as loss or damage by fire occurs it should be closely read again and its conditions complied with at once.

174. The Premium.—The amount charged by the insurance company for insuring a piece of property is called the premium. It is in consideration for the risk taken by the company. The time for payment of the premium may be agreed upon by the contracting parties, though it is usually payable in advance. If the policy contains a clause stating the insurance shall not commence until the premium is paid, then there can be no recovery for loss until such payment is made.

175. Adjustment of Loss.—In case of fire insurance, companies are liable for the actual cash value of the property at the time of the loss, provided such value does not exceed the amount for which the property was insured. By adjustment of loss is meant ascertaining the correct amount of indemnity due the insured. Where property is insured for a stipulated amount, and by reason of fire it is totally destroyed, the stipulated amount must be paid by the insurance company, except in case of fraud. This is true, though the property is not worth as much as the amount of the insurance. In some cases, however, an

insurance company is permitted to restore the property instead of paying the amount of insurance.

176. Proof of Loss.—Notice of loss usually has to be given at once. The policy generally states the time; and if the time is stated in the policy, then proof of loss must be made within the specified time, unless waived by the insurer; otherwise the policy becomes void. Proof must be given on oath; and if false swearing is detected, the claim is not good and the policy becomes void. Most insurance companies have special blanks upon which the insured is to give notice.

177. Marine Insurance.—Many things arising under this head have already been discussed in the preceding pages on life and fire insurance. It might be well to mention here that marine insurance is the oldest form of insurance in the world, and from it other forms of insurance have been instituted. It is an insurance whereby the insurer or underwriter agrees, for a certain sum, called the premium, to indemnify the insured against loss or damage from perils at sea to which ship, freight, or other interest may be subjected during a certain voyage or certain length of time. An implied warranty exists that the vessel is seaworthy.

CHAPTER XX.

REAL ESTATE.—REAL ESTATE CONVEYANCES.

178. Definition.—Real estate is fixed or immovable property, and includes all minerals, water, oils, etc., below the surface, to the center of the earth, and also everything so firmly attached to the surface that it cannot be removed without damage to it.

179. Title.—Title implies the right to hold, enjoy, sell, and convey property to the exclusion of all other persons.

Technically, title means the right to a thing and not the thing itself.

180. Title, How Acquired.—A title to real estate may be obtained by purchase; by securing a patent from the government; or a governmental grant; by decree of a court; by inheritance; or by open and peaceable possession for a term of years (usually twenty or more) under a claim of ownership.

181. A Lawful Owner, well seized of real estate—that is, having a good and clear title to land free from unpaid tax, easement, or undischarged mortgage—may convey such property by a full covenant warranty deed; or real property may be conveyed by a simple deed; or a title may be relinquished by a quitclaim deed.

182. The Seal.—Under the old law no instrument was considered made until it was sealed; then it was thought to be done, and the word *deed*, which literally means something done, was given to every written instrument to which a seal was affixed; and that is the legal meaning now. However, the common meaning of the word is an instrument for the sale of lands.

183. A Deed is an executed contract; it does not contain a promise to do something; it does it, and is evidenced by the contract—that is, the deed—being under seal. A deed conveys real estate from one party, called the grantor, to another party, called the grantee. These parties must be competent to contract, and the deed must be properly executed, signed, sealed, acknowledged, and delivered.

184. Kinds of Deeds.—There are several kinds of deeds in general use. In this country, however, the kinds commonly used are the quitclaim deed and the warranty deed. A brief description of each of these will now be given.

185. Quitclaim Deed.—This form of deed does not purport to pass any title except that which is vested in the grantor. Ordinarily, therefore, unless the grantor was guilty of fraud, the grantee in a quitclaim deed has no

remedy against him, even though the title prove to be defective. The grantor does not warrant the title and, therefore, is not liable.

186. Warranty Deed.—A warranty deed is the one used more frequently. It contains personal covenants, or promises, respecting the title, incumbrances, etc., all of which are warranted to be true by the grantor. The grantor is liable, therefore, to the grantee for every covenant contained in the deed. For instance, if the grantor warrants the title to be good, and it should afterwards prove to be otherwise, causing the grantee to be dispossessed of the property, the grantee may look to him for reimbursement. The same is true concerning any covenant, or promise, contained in the deed or conveyance. The value of the conveyance depends largely upon these covenants; hence they should receive careful attention.

187. When Deed Is Required.—In every case, where an estate in lands in fee simple is conveyed, it can be done only by deed. The same is true in estates for life; and, in some States, interests in lands for one year or more require them.

188. Laws Governing Execution, Etc.—It is well to remember that, in the execution, recording, etc., of a deed, the laws of the State in which the *lands lie* govern. The local statutes, therefore, should be examined carefully before undertaking a matter of such great importance.

189. Technical Words.—There are certain words and established phrases which have been ruled upon so often by the courts that their exact legal meaning is well known. For instance, in the granting clause, "give, grant, bargain, and sell," are those most frequently used. Frequently, deeds contain things that seem to be useless repetitions, and it may be presumed that other words of the same or better meaning could be substituted. Perhaps such changes might be made and work no harm; but they would likely *produce ruinous results,* so it is never wise to run the risk.

190. Properly Signed.—This means that the seller, or grantor, should distinctly write his name in the usual way, in the right place, with pen and ink. It might be enough to sign with a lead pencil, but the former method is certainly better. When a deed is executed in the absence of the grantor, the person who signs for him must do so by sealed authority.

191. Deed of a Corporation.—A deed of a corporation must be signed by an agent or an attorney, who should be extremely careful to execute it according to the law of the State. Of course the agent must have power of attorney, which must be recorded in the clerk's office of the county or city wherein the property to be sold is situated.

192. Delivery.—To complete the transfer of a title, the deed must be delivered to the grantee, or some one having authority to act for him. If a deed to a married woman be delivered to her or her husband, it is sufficient. Where the delivery is made to some third person, to be held until the happening of some event, as the payment of a mortgage against the land, it is called a deed in *escrow*. Remember, delivery is absolutely essential, for if a person makes a deed, acknowledges it before a proper officer, and keeps the deed in his possession, and dies, there is no transfer of the title, and the deed has no effect whatever, no more than if the grantor had never made the deed, or if he had burned it. Even where it had been recorded, and then taken back by the grantor and kept by him, or his legal representatives, with statements tending to prove that the grantor did not expect or desire the grantee to know of what the grantor had done, it has been held by the court that the deed had not been delivered; hence the grantor had never really sold the land.

193. Acceptance by the Grantee.—As there must be delivery to the grantee, or to some one having the power to act for him, so there must be assent and acceptance on his part. The law will presume an assent by the grantee, and will help any evidence going to show such an assent,

if the deed is wholly and only favorable to him, unless he is to pay money, or to do something of importance, in relation thereto, before he accepts the deed.

194. Witnesses.—The statutes in some of our States require two witnesses to the execution of a deed; in some, one is enough; but in the greater number of States witnesses are not absolutely required by statute. When witnesses are required, they should see the grantor sign; but if the deed is signed near them and at once brought to them by the grantor, who tells them that the signature is his and asks them to sign it as witnesses, it would be sufficient in law.

195. After Witnesses Have Died, proof of their handwriting is sufficient; and if such proof cannot be obtained, then proof of the handwriting of the grantor is enough. "If witnesses attest the signing, sealing, and delivery in the common form, proof of their handwriting, in case of their death or their absence, is proof of the execution and delivery of the deed."

196. Of Special Note.—A minor may be a witness if he is of sufficient age to understand the matter. No one who has an interest in the property can be a witness; hence a wife is not a proper witness of a deed to her husband. However, the courts, particularly a court of equity, would not be apt to rule that a deed could be annulled because of the incompetency of one or more witnesses, if there were no probabilities of wrong.

197. Recording.—As between the grantor and the grantee, the deed is generally valid whether acknowledged or not; but it cannot be entered on the county records until after it has been properly acknowledged.

198. The Acknowledgment.—For this purpose the grantor must go before some person qualified by law to receive acknowledgments, show the deed to him, and acknowledge it as his free act and deed; and the person receiving this acknowledgment then certifies that the same was received by him, under the correct date, exactly as it

was made before him. In general, an acknowledgment may be made before any justice of the peace or notary public if the deed is executed in this country, or any consul or consular agent of the United States if the deed is executed in a foreign country.

199. The Acknowledgment of the Wife.—A particular form or mode of acknowledgment is required in some States if a wife separately, or joining with her husband, conveys away her land. This acknowledgment is required to ascertain that she does it of her own free will. All the statutory directions or requirements should be followed with great exactness.

200. Grantor's Agent.—When an attorney executes a deed for his principal, he should acknowledge as "the free act and deed of the said [name of grantor]," and not as his own. This applies to any one who may be clothed with power of attorney, whether he be a lawyer or not. It will be remembered that a power of attorney is a person authorized under a sealed instrument.

201. Recording.—The system of registering all transfers of real property according to the terms of sale as given in the deeds "was adopted to give certainty and notoriety to title." These records are made and kept at the county seat in the county where the land lies, and, being public property, are considered a general notice to the public; hence it admirably answers the purpose of perfecting title. Before purchasing real property these records should be examined carefully by a competent person, usually an attorney at law.

202. Rules of Law in reference to recording are quite uniform in all the States, and are as follows: Every acknowledged deed is considered as recorded as soon as it is in the possession of the recording officer or his deputy; therefore he is usually required by law to write upon some part of it (generally in prepared blanks on the back of the instrument) *the day, hour, and minute* when it was received by him. A deed is perfectly good, without

record, against the grantor and his heirs, because the grantor could not but know of the deed, and his heirs could take no title from him because all title passed out of him by the deed. Finally, an unrecorded deed is just as good as if it had been recorded, against any parties, or the heirs of any parties, who took the land from the grantor by a subsequent deed, even for a full price, if they knew when they bought it that there was a former deed which had not been recorded, or if they had notice of it.

203. Erasures or Alterations should be noticed and stated above the names of the witnesses as having been made before the execution of the deed. Any material changes made by the grantor or by his authority make the deed void in most cases, so far as he is concerned.

204. Boundaries.—These should be given with strict accuracy. When land is bounded by a lake, the line generally reaches to low-water mark; the same rule ordinarily applies to navigable rivers. On the sea coast, the line extends to high-water mark. When a tree is named, the line goes to the heart of it; when a road, to the middle of it.

205. Use of Streams.—Owners of real estate, through which a nonnavigable stream flows, may use it as they please so long as the water is not contaminated, no damage done to another's property, and it is allowed to pass to another's property through its natural channel.

206. Easements.—This is a right to the real property of another, as a right of way over a neighbor's land to a public highway. The right of easement ceases when it is no longer necessary.

207. Appurtenances are such things as properly belong to and pass with the property; "things personal in their nature," but fitted and prepared to be used with the real estate and essential to its beneficial enjoyment, having been fitted to the realty or used with it, become part of the land, although they might be removed without substantial injury to the premises.

208. Execution.—The deed is terminated by this clause of the execution: "In witness whereof, I the said [grantor's name], on the —— day of ——, in the year ——, have hereunto set my hand and seal," or "subscribed [or written] my name and affixed my seal." There should be no departure from this, although the exact words of the above formula may not be necessary to the validity of the deed.

209. Mortgages of Real Property.—Too much importance cannot be given to this class of securities, since they enable purchasers of land to furnish absolutely safe security for the unpaid price, or to borrow money, or to secure payment for improvements on the land.

210. Definition.—A mortgage is an unexecuted contract—that is, it depends upon something to be done, by *promising* to convey the title in case of failure; hence it is a conditional sale. When the debt is discharged, the mortgage becomes void—that is, the conditions of the sale have been set aside by reason of paying the debt. A mortgage may be given for any purpose, and may be sold or assigned as other property, but is usually given as collateral security for a debt, and this may or may not be represented by a bond or promissory note or notes. Mortgages may contain various clauses, such as an interest clause, an insurance clause, a tax and assessment clause, etc.

211. Who May Mortgage.—Any person competent to contract, who has an interest in the land when the security is given, may make a valid mortgage.

212. What May Be Mortgaged.—In general, any vested interest in an estate or in lands, whether in fee, for life, or for years, may be mortgaged, provided it is capable of being assigned or transferred.

213. What the Mortgage Contains.—"A mortgage of land still retains the form of a deed, similar to an ordinary conveyance, containing a clause known as a *defeasance* prescribing the condition, usually the payment of

money, upon which the conveyance is to become void, and the title is to revest in the grantor or mortgagor."

214. Formalities of Execution.—"A mortgage should be executed with all the formalities of signing, sealing, witnessing, and recording prescribed for making a deed." The wife of the mortgagor should join for the purpose of releasing her dower interest, and in the case of a homestead, for the purpose of giving validity of the mortgage itself, which would be void in most States without her concurrence. But a mortgage to secure payment of the whole or some part of the purchase money due has precedence over the wife's right of dower, even though the wife does not join in the execution of the mortgage.

215. Possession of Mortgaged Property.—Unless the conditions are broken, and before they are broken, "the mortgagor is entitled to possession as against all the world except the mortgagee." Before default, the mortgagor may sell or lease the property, subject to the conditions of the mortgage, and may have the rents and profits for himself, unless in exceptional cases. A few States allow the mortgagee to have possession, but when he receives rents or profits, he holds them as trustee or agent for the mortgagor, and must apply the surplus income, beyond the expense of mortgagement, to the interest and principal of the mortgage debt, using due diligence to make the trust property productive.

216. Assignment of Mortgage.—When the mortgagor's interest is considered an estate in the land, he must assign the mortgage by a deed, for under the *Statute of Frauds* all estates or interests in lands must be so transferred. In all the States, the proper way is to execute a formal written instrument of assignment, signed, sealed, witnessed, acknowledged, and recorded in the same way as the mortgage assigned.

217. Recording.—The registry laws apply to mortgages of real estate in practically the same way as to deeds.

218. Subsequent Mortgages.—After the property has had a mortgage executed against it, other mortgages may be made on the same property, but the holder of such a mortgage cannot affect the rights of a prior mortgagee, since mortgages take the precedence over each other according to execution, delivery, and record.

219. A Discharge of Mortgage is an acknowledgment of the payment of a mortgage, and should take the form of a deed with appropriate words of conveyance, and should be executed with the same formalities as other deeds. If, when a mortgage is paid and satisfied, the mortgage is allowed to remain upon the public records, it is an apparent incumbrance or "cloud" upon the mortgagor's title, which the latter, for that and various other reasons, has a right to have removed; hence the formality known as a "discharge."

220. Foreclosure.—If a mortgage debt is not paid when due, the mortgagee, or other legal holder, may foreclose it. The process varies in the several States, but the land is sold and the proceeds applied to the payment of the mortgage debt, any balance going to the mortgagor. Should the proceeds of the sale not be enough to pay the amount of the debt, together with the expenses of the sale, the legal holder may take action against the mortgagor for his other property, provided he has a bond or promissory note for a certain amount, and holds the mortgage as collateral.

221. Trust Deeds.—These are similar in power to mortgages, having power of sale. They take the form of a deed of conveyance, wherein the debtor is the grantor and the creditor the beneficiary, and the grantee is the trustee upon whom is conferred a power to sell property upon default, and to apply the proceeds, so far as necessary, to the payment of the debt secured. Trust deeds are now used quite extensively. They answer the same purpose of a mortgage, and the procedure concerning them, in case of default of the debtor, is much more simple.

CHAPTER XXI.

LANDLORD AND TENANT.

222. Definition.—A landlord, or lessor, is one who lets or rents lands or tenements to another, in consideration of the payment of a certain sum, commonly called rent.

223. Execution.—In most States leases for more than one year are required to be in writing. An oral lease, if not forbidden by statute, is as binding as a written one. It is better that all leases be in writing, in order that no misunderstanding may arise. In some States leases for longer than one year must be executed, acknowledged, and recorded in the same manner as deeds, otherwise they are invalid as against other persons without notice. In other States they must be if they are for two years or more. The local statutes should be examined on this point.

224. Landlord's Rights.—Every lease has certain conditions embodied in it, and the landlord has the right to require these conditions to be complied with. It is the duty of the tenant to treat the propery in a tenantlike manner and see that no damage is done to it that would result in permanent or lasting injury. The landlord has the right to recover such damages. The landlord has the right to terminate a lease for the following causes: Nonpayment of rent, failure to repair, or to pay taxes when required by the lease, subletting or assigning when there is a covenant to the contrary, and for using premises for some other purpose than that stated in the lease. Should the landlord give his consent to the acts complained of, or with full knowledge of such acts receive rents accruing after the breach occurred, he waives his right of forfeiture. The landlord has the right and may collect rent from his tenant on a building either partially or totally destroyed by fire unless prevented by local statute or by the terms of the lease. A clause is usually inserted in the

lease making provisions in case of serious damage. It generally provides that in case of partial damage, not the cause of the tenant, the same shall be repaired at once at the expense of the landlord; in case of damage so that the premises are rendered untenantable, the rent shall cease until the premises are restored; and in case of total destruction the lease shall cease. Where the lease is for an apartment of a building, and not the whole premises, the lease is terminated in case of total destruction whether a saving clause be inserted or not.

225. Tenant's Right.—The tenant is entitled to the quiet enjoyment of the premises as long as the lease is in force. He has the right to object to anything being put in or done to the building that would endanger it, or that in any way would be a source of annoyance to him. Should the landlord rent a portion of a building occupied by a tenant to another party for dangerous purposes, the tenant can, in case of loss resulting therefrom, hold the landlord liable for damages and recover for the same. The tenant is not liable for accidental damages; hence he cannot be required to rebuild property destroyed by accident, unless it be stipulated in the lease.

226. Fixtures.—The tenant may remove any fixtures that he has added, unless in so doing he causes injury to the property. Permanent fixtures become part of the property of the landlord. For example, the tenant has the right to remove stoves, gas fixtures, shelving, counters, cane mills, etc. In some instances temporary buildings may be removed. But the tenant for a specified time must remove his fixtures before the expiration of that time. A tenant at will has a reasonable time in which to remove his fixtures; also if a tenancy be put to an end without the fault of the tenant.

227. Repairs.—The landlord is not bound to make concessions unless it be so stated in the lease. Where it is agreed that the landlord shall make repairs, and he fails to do so after the proper notice has been given him, then

the tenant may have the repairing done and collect same from the landlord. It is an established law that the tenant must return the property in as good condition as received, with allowance for proper wear and tear. The landlord is not responsible for damages caused by bursting pipes where he can show that due diligence was exercised on his part.

CHAPTER XXII.

INTEREST AND USURY.

228. Interest is a certain amount paid for the use of money, either by agreement or for withholding money that is due. A debt not paid when due draws interest after maturity, whether it did before maturity or not.

229. Legal Rate.—The rate of interest is regulated by statute. Each State has its own legal rate per cent. This legal rate per cent varies from five to twelve per cent, and in some States any rate of interest may be charged that is agreed upon by the contracting parties. Where no rate is specified, and interest is to be charged, the legal rate applies.

230. Interest Allowed.—Legal interest is allowed on promissory notes, bonds, and the like, bearing the words "with interest;" on all unpaid debts after maturity, such as promissory notes, open accounts, rents, etc.; on goods bought on "terms cash" (interest allowed from the date of transaction); on debts due by judgment of court; and on money advanced.

231. Law of Place.—This law is of great importance, from the fact that the law is different in different places. And since parties of different places are continually having business transactions with each other, it is well that they should know by what law they are to be governed. The most general principle upon which the law of place

depends is, "that a contract which is not valid where it is made is valid nowhere else; and one which is valid where it is made is valid everywhere." Thus a contract made in Virginia and there void on account of usury would likewise be void in Georgia, although, according to Georgia laws, it would have been valid if made there. Contracts made orally, where they are required in writing, cannot be enforced in places where they are not required in writing; but if made orally, where writing is not required, they can be enforced in places where they are required in writing. Contracts relating to personal property (distinguished by some as movable property) are governed by the place where the contract is made; but if the contract refers to real property, it will be governed by the place where the real property is situated, regardless of the place where the contract is made. Parties to notes made in one place and made payable in another may agree upon the rate of interest which is legal in either place. Thus, a note made in Georgia, and expressly payable in Georgia, is a Georgia note, and not more than eight per cent could be collected, no matter where the homes of the contracting parties might be. A note made in Georgia and expressly payable in Denver, Colo., where parties may agree upon any rate, and twelve per cent interest is promised, when the note becomes due and payment is demanded in Denver with interest, the twelve per cent would be valid.

232. Usury.—Usury is charging more for the use of money than the law allows. There must be usurious intention, or there is no usury. To illustrate: Where a miscalculation is made and one thus receives more than legal interest, he may correct the error and claim the entire legal interest. Actual payment, or a promise to pay more than the law allows, either for the use of money lent or forbearance of money due and payable, is said to be usurious. The sale of a negotiable paper for less than its face value is not usurious, nor is the payment of legal interest in advance.

233. Penalty for Usury.—The penalty for usury varies in different States. Some require forfeiture of the whole debt; others, the excess above legal interest. Some, forfeiture of all interest; others, three times the amount above the legal rate or rate allowed in writing. In some States usury is a crime and is punishable by fine or imprisonment, or both. The usury laws are constantly undergoing changes, so one must be posted on statute laws in order to know just what is prevalent in his State.

234. Compound Interest.—By this is meant interest upon interest, and is not considered usury. In some States, when the parties contract that the interest on the principal sum shall be due and payable at stated intervals, as monthly, semiannually, or annually, compound interest can be collected on all unpaid interest, without any further agreement. In other States compound interest cannot be collected unless there is an express agreement to pay it. Where such agreement is required, there must be a consideration to support the contract.

CHAPTER XXIII.

BANKING.

235. Origin of Banking.—The origin of banking is not known, but it is of great antiquity and is supposed to have originated with the money dealers of Florence, Italy, in the twelfth century. The business of borrowing and lending money was specialized by the Jews in Lombardy and was conducted as private enterprises, frequently as adjuncts to other forms of business. In the process of separation of vocations, however, banking became a distinct business.

236. Classification of Banks.—There are three classes of banks: Private, State, and National.

237. Private Banks.—Private banks are organized and

conducted by individuals, usually in the form of partnerships. When two or more persons are thus associated in conducting a banking business, the law of partnerships applies to them. As illustrations of private bankers might be mentioned such representative firms as J. P. Morgan & Co., New York; Brown Bros. & Co., Philadelphia; and Rothschild & Co., the last-mentioned firm having banking houses in the principal European cities. Private banking is the oldest form of banking.

238. State Banks.—State banks are divided into banks of discount and deposit, savings banks, and trust companies. State banks exist by charter and are organized under the laws of the different States, or under the general State banking laws.

239. State Banks of Discount and Deposit.—Banks of this class are usually known as commercial State banks, and are subject to State inspection. They are organized with a fixed capital stock, which is subscribed by the stockholders. Before the bank can commence business a certain percentage of the capital stock must be paid in cash, varying according to the different State banking laws. State banks receive deposits, principally from business men or firms, which are usually payable on demand. They loan money on commercial paper for mercantile purposes, and usually on short time. The management of the bank is vested in a board of directors, chosen by the stockholders, who hold annual meetings for this purpose and to do such other business as the State laws require. The board of directors elect the executive officers, which usually consist of a president, vice president, cashier, and secretary.

240. Savings Banks.—Properly speaking, savings banks do not conduct a banking business. They may be organized without capital, and consequently have no stockholders. They are managed by a board of trustees. Among banks of this class might be mentioned the Bowery Savings Bank, of New York, chartered in 1834, with-

out capital stock, and which now has deposits of $94,000,000, with a surplus of about $10,000,000. Banks of this class are strictly coöperative institutions whose chief function is to encourage the habit of saving. Again, savings banks may be organized with a capital stock, the amount being subscribed by stockholders with a view to pecuniary gain. A savings bank receives deposits, chiefly in small amounts, upon which it usually allows a low rate of interest. As savings banks receive deposits primarily for safe-keeping, the first consideration of its customers should be safety and not high rates of interest.

241. Trust Companies.—The laws of most of the States give trust companies a wide scope of authority. They are usually chartered to combine the functions of the commercial banks with the banks of savings, as well as the execution of trusts. They receive deposits, paying interest on same, lend money on collateral security, and rent safety deposit vaults. The organization of trust companies in recent years has been very rapid, especially in the commercial centers. Such companies execute trusts of varied nature, such as managing estates and properties, collecting rents, issuing insurance, acting as guardian for minor heirs, or executors of wills, acting as fiscal agents for individuals or corporations. They sometimes reorganize railroads and other public or semipublic enterprises and act as trustee for bondholders. Trust companies have a capital stock, and are managed by a board of directors.

242. National Banks.—National banks are institutions chartered by the United States government. The National Banking System was inaugurated under the act of February 25, 1863, which act was repealed and a new law enacted on June 3 of the following year. All national banks chartered since June 3, 1864, were organized under the act of that date or the act of March 14, 1900.

243. The Organization of National Banks.—To organize a national bank, some one interested in the affair makes a written application to the Comptroller of the Currency at Washington, giving (1) the name of the proposed bank, (2) where it is to be located, (3) the amount of the capital stock, (4) and the names of not less than five of the persons who have subscribed to the capital stock. The application should be indorsed by the representative in Congress from the district in which it is proposed to organize. The application is then taken under consideration by the Comptroller of the Currency, who inquires into the applicants' fitness for the banking business and the needs for such a bank in the designated locality. Having satisfied himself upon these points, if favorable, he issues his approval and furnishes a blank form upon which is to be written the following information: (1) Name and title of the bank; (2) its place of business; (3) the number of stockholders composing the board of directors; (4) when the first meeting of directors will be held; (5) the time and place of holding the first annual stockholders' meeting; (6) the capital stock and number of shares; (7) the powers of the board of directors; (8) how the articles may be amended.

244. Officers of National Banks.—At the annual meeting of the stockholders a board of directors is elected, consisting of not less than five persons, each of whom must hold at least ten shares of the bank's stock. The board of directors then elect their executive officers for the ensuing year, consisting of a president, vice president, cashier, and such other officers as may be required. It is customary for the board of directors to meet, at stated periods, to consider the character of the paper offered for discount, unless this duty has been assigned to a finance committee, in which event the committee passes on all loans. Sometimes the president or cashier, or both, are given authori-

ty by the board of directors to accept or reject applications for loans. National banks are not allowed to loan money on real estate mortgages. The president is the chief executive officer of a bank, and has general supervision over its work. He signs the bank notes, and usually all contracts made by the bank. The cashier is the manager of the internal workings of the bank, and is the custodian of the bank's funds. The paying teller has charge of cashing checks and the paying out of money. He must be familiar with the signature of each depositor and his daily balance. The receiving teller receives the deposits and makes the entries in the depositors' pass books. Sometimes the duties of the receiving and paying tellers are combined in one person. This is the case in the smaller country banks. The note clerk has charge of the commercial paper handled, although in some cases there is a collection clerk who attends to the collecting of papers sent to the bank for that purpose.

245. Safety Deposit Vaults.—Many of the trust companies, and some of the other classes of banks, have boxes in safety deposit vaults for rent to their customers. The vaults are fireproof and are provided with all the safeguards necessary for absolute protection. The rental of a safety deposit box or drawer is small, varying from $3 to $50 per annum, depending upon its size and location. Each renter is provided with a key, and no one except himself or authorized agent can have access to his box. These safety deposit boxes afford convenient and safe places for valuable papers, jewelry, and other small articles of value.

246. Advantages of a Bank Account.—No business man should conduct a business without an account with some bank. Even in the case of young men and young women who are not in business for themselves, they should, if possible, have a bank account. By so doing young people become accustomed to saving; furthermore, they acquire habits of business which are invaluable to

them. To the business man the advantages of a bank are indispensable. There his funds are protected from fire and burglars without any cost to himself. It enables him to pay his bills by checks, thus preserving a record of same. It enables him to make his collections by drafts on customers, especially on those out of town. Furthermore, it gives him an acquaintance where, in time of need, he can secure loans or other accommodations.

247. Rates of Interest, and Manner of Crediting Same.—The rates of interest vary with the different classes of banks, the strictly savings banks offering the lowest rate of interest, when any at all. In most cases commercial banks do not pay interest on daily balances, as the conveniences supplied the customer by the bank are considered sufficient consideration for the bank's use of the money. Savings banks usually allow from three to four per cent, while in a few cases as high as five per cent is allowed. Banks offering a higher rate of interest than four per cent should be carefully avoided, as experience has shown that in the ratio of high rates of interest the risk is proportionately increased. Each bank has its own rules and regulations, not only as to the rate of interest allowed depositors, but as to the dates of crediting same. Usually, however, savings accounts are credited with interest semiannually, the first of January and the first of July. If a depositor withdraws his money from the bank before the close of any interest period, he is not allowed interest for the part of a period since the last interest was credited. In many instances commercial banks receive both active and savings deposits; on the former no interest is allowed, while a small rate of interest is allowed on the latter.

248. Bank Pass Books.—When a new customer opens an account at a bank, he is required to write his name in the signature book. This is a book kept by the bank, containing the signatures of all the customers, so that the checks may be compared to see if they are genuine. Many

banks have discarded the signature books and are now using index cards for this purpose. After the signature is written upon the card, it is filed alphabetically for future reference. In addition to the signature, such other information is contained on the card as the bank would likely desire concerning the customer. Once each month the bank pass book should be left at the bank to be balanced. This is done by listing all the checks on a slip of paper, which is usually done by means of an automatic adding machine. The slip containing the totals of the checks is then returned with the checks, and the aggregate of the checks charged on the customer's pass book. Another method that is becoming popular is to use the bank pass book to enter the deposits only. At the end of each month a statement is made out showing in detail the deposits, checks drawn, and the balances. This does away with leaving the pass book at the bank a part of the time each month. Savings banks require bank pass books to be presented at the time the checks outstanding are presented for payment. The paying teller makes an entry in the book showing the amount drawn, and the book is then returned to the depositor. When the account is closed, the bank retains the book. As a general rule, depositors in a savings bank cannot withdraw funds by check, although some savings banks do a general commercial business and honor checks drawn in the usual way.

249. The Check Book.—The check book is a book of printed blank checks giving the name of the bank and the address, and is used by the depositor whenever he desires to withdraw money from the bank. Most banks furnish their customers with a lithographed check book containing the customer's business card. These checks are usually perforated so they may be easily detached, and are frequently numbered for convenience of reference.

250. Drawing of Checks.—Checks are written orders for money drawn on a bank or banker by a depositor, payable on demand to the person named therein or to his

order, or to bearer. No set form of wording is necessary, although custom has favored the form illustrated herewith:

BIRMINGHAM, ALA., *March 17,* 19 *11*. No. 525

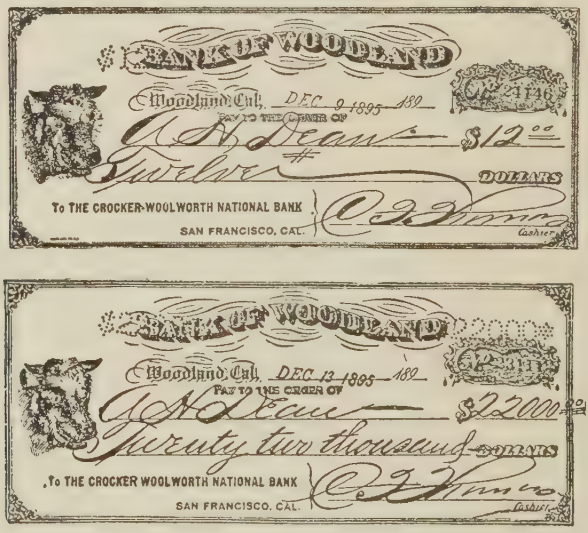
COMMERCIAL STATE BANK

PAY TO THE ORDER OF *Hopkins & Smith* $ *200 50/100*

Two hundred 50/100 DOLLARS

Messer, Moore & Co.

251. Raising of Checks.—The law assumes that the drawer of a check will use all reasonable diligence and skill to protect the bank against fraud. If the amount of the check is raised by filling out the blank spaces and the signature is genuine, the bank cannot be held respon-


BANK OF WOODLAND

Woodland, Cal., DEC 9 1895 189

PAY TO THE ORDER OF

C. A. Dean $12 00

Twelve DOLLARS

To THE CROCKER-WOOLWORTH NATIONAL BANK

SAN FRANCISCO, CAL.

C. J. Kimes Cashier

BANK OF WOODLAND

Woodland, Cal., DEC 13 1895 189

PAY TO THE ORDER OF

C. A. Dean $22000

Twenty two thousand DOLLARS

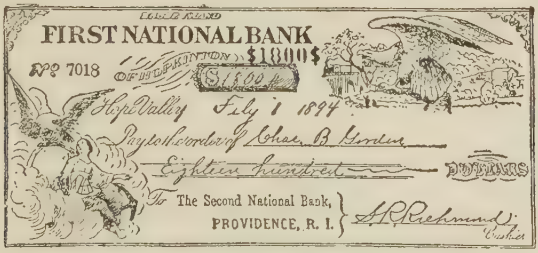
To THE CROCKER WOOLWORTH NATIONAL BANK

SAN FRANCISCO, CAL.

C. J. Kimes Cashier

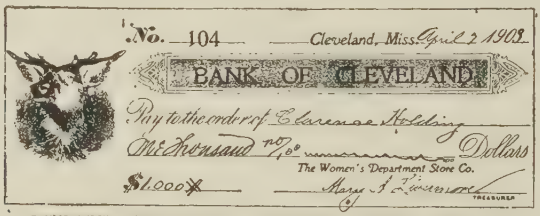
sible for the payment, and the loss will fall upon the drawer of the check. In writing a check, therefore, it is very necessary that it should be carefully drawn, the figures written very plainly so that no one can fraudulently change them. After the amount of dollars on the second

line, a wave line should be drawn, thus preventing the changing of the amount. In the first illustration given on page 94 the check was drawn for $12.00 on the Crocker-Woolworth National Bank, San Francisco, Cal., in favor of A. H. Dean. This check was raised to $22,000.00 by changing the 1 to 2 and adding the ciphers after the 2, changing the writing of the word "Twelve" to "Twenty," and adding "two thousand." In the illustration given below the check was originally drawn for $18.00, but the wave line was not added after the word "Eighteen." This check was raised from $18.00 to $1,800.00 by simply writing the word "hundred" after the word "Eighteen." It is a very easy matter to change a check from five to five hundred, or from five hundred to five thousand dollars, etc., unless the amount is written very plainly and a wave line is written after the amount written in dollars; and in cases of this kind the drawer, and not the bank, would be responsible for the loss. To guard against forgery, business men have been known to adopt a secret signature—that is, a signature which would be known only to the drawer of the check and the cashier and paying teller of the bank. An illustration of this



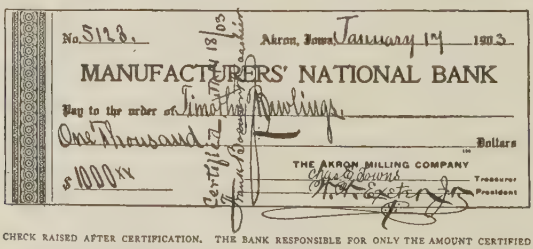
kind is given in the check drawn on the Bank of Cleveland by the Woman's Department Store Company, and signed by Mary A. Livermore, Treasurer. As may be seen from the facsimile of this check, the characteristics were the two dots over the "i" and the blot in the loop of the "y." Even this precaution was not sufficient proof against forgery, as in this case the art of photography was brought

to the aid of the forger. The bank paid this $1,000.00 check without suspicion, and then it was discovered to be a forgery. The signature was photographed and reproduced. The bank demurred at standing the loss, but in the end had to restore to the credit of the Woman's Department Store Company the amount of one thousand dollars. The courts have decided that the loss caused by the raising of a certified check depends entirely upon whether the raising was done before or after the certification. The Akron Milling Company's check, illustration of which is given below, was drawn originally for $100.00. The Manufacturers' National Bank had certified the check as $100.00, and afterwards it was raised by means of chemicals to $1,000.00. The courts held that, as the fraudulent alteration of this paper was made after the certification, and not before, the loss should fall upon the Akron Mill-



FORGED CHECK—A SECRET SIGNATURE COUNTERFEITED WITH THE AID OF PHOTOGRAPHY

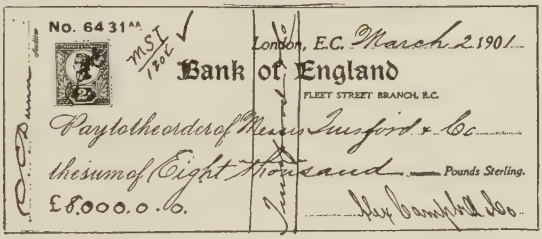
ing Company, and not upon the Manufacturers' National Bank. The illustration given of the check drawn on the Bank of England is an instance where the most conservative of banking institutions was caught with a fraudulent



CHECK RAISED AFTER CERTIFICATION. THE BANK RESPONSIBLE FOR ONLY THE AMOUNT CERTIFIED

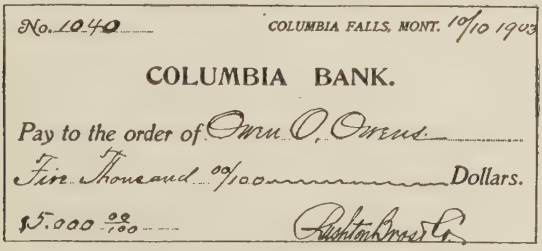
paper. This check on the Bank of England was drawn for £8. The paper fell into the hands of a forger who

skillfully raised the amount to £8,000 or nearly $40,000.00, by writing in a word of eight letters and making a few ciphers at the bottom of the check. Another point of great interest to the business world was brought out in the forgery case of the Columbia Bank, of Columbia Falls, Mont. A firm in that town owed a man by the name of Owen Owens the sum of $5,000.00. Through an error the check was drawn to the order of Owen O. Owens. There happened to be an individual by that name, and he received the check and deposited it in his bank. A few days


No. 6431 London, E.C. March 2 1901
Bank of England
FLEET STREET BRANCH, E.C.
Pay to the order of Messrs Twyford & Co
the sum of Eight Thousand Pounds Sterling.
£8.000.0.0.
Alex Bankhead & Co.

CHECK RAISED AND "CROSSED," WHICH CAUSED THE BANK OF ENGLAND TO LOSE

later he withdrew his entire account and left for parts unknown. According to law, this act was one of forgery; but the law has also decided that a middle initial is not a part of a man's name, and that if a bank cashes a check, draft, or note it is bound to know it is paying the money to the proper person, otherwise it must be responsible to the drawer for the full amount. The bank should be familiar with the signatures of its customers, and when a


No. 1040 COLUMBIA FALLS, MONT. 10/10 1903
COLUMBIA BANK.
Pay to the order of Owen O. Owens
Five Thousand 00/100 Dollars.
$5.000 00/100
Ashton Bros & Co.

CHECK CASHED BY MAN FOR WHOM IT WAS NOT INTENDED. LOSS STOOD BY BANK, BECAUSE IT DID NOT MAKE SURE OF THE PAYEE'S IDENTITY

check with a forged signature is paid by the bank the loss falls on it, and not on the customer. As an extra precau-

tion against fraudulently altering the amounts of papers, there are various machines or devices used, some of which emboss the figures into the paper, while others cut the figures entirely through the paper. One of the very best machines for this purpose is the protectograph, which prints across the face of the check the next highest amount in round numbers for which the check is drawn. As checks may pass through various hands before finding their way to the banks upon which they are drawn, it is advisable that all precautions possible should be taken to prevent fraud. Not only should care be taken in writing checks, but they should never be drawn in favor of strangers or persons in whom you do not have confidence. The amount of money should appear twice in each check; first in figures to the extreme right of the check, and then on the second line the amount should be written in full. It is always best to fill out the stub of the check book first

RICHMOND, VA., *Jan. 14,* 19*11*

To the **National Bank of Richmond**
RICHMOND, VA.

PAY *Cash* OR ORDER

Ten and $\frac{no}{100}$ DOLLARS

C. C. Pope.

and then the check. By this method, there is no chance of the maker's forgetting to fill out the stub and having no record of the check. The person who signs or draws the check is called the drawer, or maker, and the person to whom the money is to be paid is called the payee. In the form illustrated on page 94 Messer, Moore & Co. are the makers and Hopkins & Smith the payees. Sometimes the drawer or maker of a check desires to collect the amount himself, in which case he becomes also the payee. In this case, in writing the check, he would make it payable to "cash," or to "myself," as illustrated in the preceding form. Checks should never be written for amounts

smaller than one dollar, as banks dislike to pay them. A check can be made to act as a receipt in addition to an order for the payment of the sum specified. Where the drawer desires to do so, he may write in the check that for which it is given. The check, when paid, thus becomes a receipt. The new depositor should be careful to write his name in his book just as he intends to write it upon his checks. If, for example, his name is Arthur M. Bruce, he should not write his name in the signature book as A. M. Bruce, and then sign his checks with his full name, "Arthur M." Adopt one style as your business signature, or "bank name," and always sign it that way in business correspondence and on checks, notes, contracts, etc.

252. Overdrawing an Account.—The depositor should be very careful that the amount of his checks does not exceed the amount of his deposits. The bank is always ready to pay to the order of the customer all the money that he has put in, but no more. Some banks are forbidden by law to allow an overdraft; and all banks are reluctant to do so, as an overdrawn account is a loan without any security.

253. Opening a Bank Account.—It is not necessary for a person to wait till he has five hundred or a thousand dollars before opening a bank account. Some city banks require depositors to bring one hundred dollars, but most banks, both in cities and small towns, now make it a rule to accept any little sum in opening an account. The prospective depositor, if he is not already acquainted with the officers of the bank, or has not received an invitation from them to come and open an account, should be introduced by some friend who is well known to them. When the new depositor makes his first visit to the bank as a customer, he is required to write his name in the signature book or on a signature card. This record is kept for reference by the officers of the bank, in order that they may be sure of the genuineness of the signature of the depositor upon checks or notes.

DEPOSITED WITH

The Birmingham Trust and Savings Co.

By H. J. Nolan

Birmingham, Ala. March 7 1906.

ENTER EACH CHECK SEPARATELY

	DOLLARS	CENTS
Currency	65	
Silver	27	50
Gold	5	

CHECKS

					DOLLARS	CENTS
		1	25			
			50			
			5	65		
		2	8	75		
N.Y.		1	0	50		
			5	05		
		1	5		239	95
Total					337	45

254. How to Deposit.—When you wish to make a deposit in a bank, have your deposit ticket or slip properly filled out. This is done by writing your firm name on the proper blank line, and inserting the date. Opposite the word "currency" write the amount you wish to deposit in bills, and the amount of coin you wish to deposit opposite the word "silver" or "gold." Assort your currency and have all like denominations together. Thus your $5, $10, $20, etc., should be placed in their respective order, right side up. Separate your coin, each kind to itself. The receiving teller or clerk will verify the amounts, and, if found correct, will make the proper entry in your bank pass book. This book should be balanced or statements rendered at stated intervals, usually at the end of the month, when all canceled checks will be returned.

255. Stopping the Payment of a Check.—The payment of a check may be stopped at any time before the actual payment is made. When the drawer of a check desires to prevent its being paid by the bank upon which it is drawn, he should notify the bank, giving the date of the check, the name of the payee, and the amount, and the bank will be compelled to refuse to pay the check unless it had previously certified it. Only the drawer of a check, and not a subsequent holder, can stop its payment.

256. Certified Checks.—A certified check is one that has been certified by the bank upon which it is drawn. The cashier or teller writes across, or stamps across, the face of the check "Certified," or "Good when properly indorsed," together with date, and his signature. The bank immediately charges the amount of the check to the drawer's account, so that he cannot withdraw all his funds and leave nothing with which to protect the amount of the check. When a check is certified, the bank becomes responsible for its payment, whether the drawer has funds to his credit or not. A national bank, however, is not allowed to certify a check unless the depositor actually has the money to his credit to pay it. A certified check will

pass current the same as a bank draft. It is customary, however, for checks of large amounts to be certified before passing them to the payee.

257. Cashier's Check or Draft.—A cashier's check, sometimes called a draft, is a check drawn by one bank upon another in which it has money on deposit. Every bank, except some of the very largest in the large cities, keeps a deposit in some other bank and draws its checks or drafts upon this account to pay its obligations. As a general thing, banks keep money on deposit with some bank in New York City, and some of the larger banks in the South and Southwest also have a connection with some Chicago bank, in which a deposit is kept for the same purpose. Besides using drafts to make its own remittances, a bank supplies drafts to its customers, for which it charges usually one-quarter of one per cent. Cashier's checks drawn on New York are usually called New York exchange, and those drawn on Philadelphia or Chicago, Philadelphia and Chicago exchange. Where a cashier's draft is made payable at a future time, it is known as a cashier's bill of exchange. It is customary with the banks of New York and some of the other larger cities of the United States to keep an account with London banks in order to issue cashier's checks or bills on London and furnish London exchange. Cashier's drafts are usually signed by the cashier, although they may be signed by the president or vice president. Some banks, as an extra precaution, require that all bank drafts be signed by both president and cashier. If a draft is drawn by a New York bank on a bank, we will say, in London, and is payable sixty days after sight—that is, sixty days after it has been presented at the London bank—this draft would be called London exchange, also known as foreign exchange.

258. To Purchase a Bank Draft.—Remittances, especially for large amounts, are usually made in the form of bank drafts drawn on financial centers like New York,

Chicago, Philadelphia, or San Francisco. When you wish to purchase a bank draft, fill out a requisition on a blank provided by the bank for this purpose. The bank draft can be drawn payable to your order and then indorsed by you to the party to whom you wish to send it, or you can purchase the draft with the party to whom you wish to make remittance named as the payee, and then no indorsement by you is necessary. For those who do not keep a checking account the bank draft presents the safest, cheapest, and most satisfactory way of sending money by mail. Some business houses in large cities will not receive personal checks in payment for their goods; so even those who have checking accounts sometimes find it necessary to procure drafts with which to make their remittances. If a draft is lost in the mail, a duplicate may be procured from the issuing bank. Care should be taken, however, not to indorse a draft in blank unless it is imme-

Commercial State Bank No. 4499

Birmingham, Ala., Nov. 2, 1911 $ 2000.00

Walter Newman has deposited in this Bank

Two thousand and no/100 *Dollars*

payable to the order of Walter Newman *on the return of this Certificate properly indorsed* six *months after date with interest from date at the rate of* four *per cent per annum.*

INTEREST CEASES AT MATURITY.
NOT SUBJECT TO CHECK.

John D. Elliott,
CASHIER.

diately to be deposited in a bank. A draft indorsed in blank is payable to bearer.

259. Certificate of Deposit.—A certificate of deposit is a voucher issued by a bank, banker, or trust company, certifying that a certain amount has been deposited in the bank, payable on return of the certificate. A certificate of

deposit is negotiable, and may be used in the same manner as a bank draft or other negotiable paper. The payee named in a certificate of deposit cannot, however, draw checks against the deposit, as it is payable only on surrender of the certificate of deposit properly indorsed. Certificates of deposit are used principally when money is deposited in a bank other than a savings bank, with the intention of leaving it for some time, usually with the view of drawing interest. A holder of a certificate of deposit cannot draw a part of the amount; the entire amount must be drawn and the certificate surrendered, although he can, if he so desires, redeposit the money, or a part of it, after receiving the full amount.

260. Letters of Credit.—Persons traveling abroad need money from time to time for their traveling expenses, purchases, etc. In each country they visit a different kind of money would be needed for this purpose, necessitating the constant exchange of one kind of money for another. This involves annoyance, delay, and expense. Neither would the traveler desire to carry on his person the coin necessary to meet the expenses of his trip, as it would be both inconvenient and unsafe. Therefore the traveler provides himself with a letter of credit before setting out upon his journey. A letter of credit is an instrument issued by a bank or banker, wherein the persons addressed are authorized to pay the holder thereof money not exceeding a certain amount. Sometimes at the bottom of the letter, but usually on the back, is printed a list of the banks where money may be drawn against the letter of credit. These banks are located at the principal cities throughout the section of the country the traveler expects to visit. When the purchaser of the letter of credit receives the same, he writes his name on its face and gives to the issuing banker his signature written on a number of slips. These slips are forwarded by the banker to their corresponding banks, so that the holder of the letter of credit may be identified upon presentation of same at the

various banks when sums of money may be drawn upon same. As the different amounts are drawn they are entered on the back of the letter of credit, and the bank issuing the letter of credit is at once notified of the amount paid on account thereof. A letter of credit, therefore, is merely a banker's written promise to accept bills drawn upon him up to a certain amount. Example: Suppose that A. S. Goodyear is going to make a tour of the various European capitals. Before starting on his journey he would buy from a New York bank a letter of credit for the amount of money he would probably need on his trip, which, we will say, would be £200. The letter of credit thus issued will contain Mr. Goodyear's signature and name, and may, as is frequently the case, contain a description of his personal appearance, which would serve as an additional means of identification. The New York banker in issuing the letter of credit to Mr. Goodyear would say to foreign bankers that they will accept bills drawn upon the buyer, Mr. Goodyear, to a sum not exceeding £200. As the drafts are cashed from time to time by the foreign bankers, they would be indorsed upon the letter of credit, so that the balance undrawn is always shown. Before advancing money upon the letter of credit, a foreign banker would of course compare Mr. Goodyear's signature, written in his presence, with that written on the letter of credit. The foreign banker then discounts the bill and forwards it to New York, and the New York banker is bound to honor same, because he has promised to do so in the letter of credit. Since London is the great financial clearing house of the world, it is customary to make all bills payable at some London bank. If a traveler should happen to lose his letter of credit, he should at once notify the banks upon and by whom it is drawn, as these letters are cashed almost anywhere. Most banks consider it advantageous to buy a draft on a London bank, as such drafts sell at a premium anywhere.

261. Travelers' Cheques.—Another method of provid-

ing suitable and convenient money for traveling purposes is that of the cheque bank book, or travelers' cheques. Travelers' cheques are issued by the American Express Company, and are designed to be used the same as money. These cheques are issued in denominations of ten, twenty, fifty, and two hundred dollars, with the exact equivalent of money in the principal cities of Europe printed on the back. There is a bank in London, with branches in New York and other principal cities, that makes a specialty of issuing to its customers cheque bank books—that is, the bank sells to its customers a book of cheques, each one of which can be filled out only to a limited amount as shown by the printed and perforated notices appearing on the blank. Each of these cheques is, in effect, a certificate, and its payment is guaranteed by the cheque bank. This company has thousands of agencies scattered throughout the world, each one of which will sell the cheque books or cash the cheques when presented.

CONDENSED STATEMENT OF

THE PACIFIC NATIONAL BANK

OF TACOMA, WASHINGTON

UNITED STATES DEPOSITORY

AT CLOSE OF BUSINESS, NOVEMBER 27, 1908

THE OLDEST BANK IN TACOMA

RESOURCES		LIABILITIES	
Loans and discounts	$2,328,814 78	Capital stock	$ 300,000 00
Bonds and premiums	341,916 80	Surplus	250,000 00
Real estate and furniture	20,000 00	Undivided profits	71,085 37
United States bonds	725,000 00	Circulation	293,100 00
Cash and due from banks	1,802,624 94	Deposits	4,304,171 15
Total	$5,218,356 52	Total	$5,218,356 52

262. Bank Statements.—A bank statement is a balance sheet of the general ledger, and is sworn to by the cashier and attested by two or more of the directors. It is customary to publish these statements in the local papers in the form of an advertisement. The form given above is the one usually employed. In the resource

column is set forth items due it from other banks and bankers, both State and national, bank bills and specie on deposit, and bonds deposited with the United States Treasurer, loans and discounts, consisting of discounted notes, drafts, etc., real estate owned, etc. In the liability column is itemized the amount due depositors and banks, outstanding circulation of bank notes, undivided profits, surplus funds, capital stock, etc.

263. Kiting.—Exchanging checks for the purpose of gaining time is a practice known as kiting, and is very much in disfavor with banks. If your banker finds out that you are in the habit of kiting, most likely he will ask you to withdraw your account from his institution. The object of kiting is to get an extension from the time the bank closes one day to the next day. We will suppose that James Clark is short in funds and has urgent need of one thousand dollars. He will get his friend, Barbee Smith, to give him his check for that sum, payable at the latter's bank. This sum Clark will deposit during the banking hours of that day; consequently has a credit in his bank of that sum until his own check, which he gave his friend, Mr. Barbee Smith, passes through the clearing house and is presented for payment. In order to protect his own check he will have to make a deposit the following day, before the close of banking hours, to meet the amount of his check. Mr. Barbee Smith may do the same with Clark's check should he so desire, as his own check would not be presented at the bank until the following day. Sometimes kiting is accomplished by having a deposit of money in two banks. In this case, when the party wishes to gain time of, say, twenty-four hours on some check he has drawn, he will draw it on one of the banks, and then when the check passes out of his possession he will immediately draw a check for that sum on his other bank, which check will be deposited in the first bank upon which the first check was drawn. Such practices, how-

ever, invariably lead to trouble, and are not to be considered by responsible business men.

264. Capital.—We speak of capital as that amount of money which is invested in a business. This money may be deposited in a bank, or it may be invested in a manufacturing plant, or a stock of goods in a store, or in furniture and fixtures, or equipment, or in any other form. The money in the bank is known as the working capital, while that invested in the equipment and stock is known as the equipment capital. The working capital of a business should be sufficient to enable the business to be carried on to the best advantage on the most economical basis, and varies, of course, with the different lines of business. There are times when collections will be slow, or when debtors become insolvent, and it is necessary for the business to carry such accounts frequently for months at a time. Some of the most successful manufacturing plants keep money invested in quickly convertible stock or bonds, so that in any emergency available cash can be had; while other concerns rely upon their credit with their bankers in such contingencies.

265. Money.—There are ten different kinds of currency in circulation in the United States. First, we have gold coin in denominations of $2.50, $5, $10, and $20, called, respectively, quarter eagles, half eagles, eagles, and double eagles. Second, the standard silver dollar. Third, subsidiary silver—such as half dollars, quarter dollars, and dimes. Fourth, nickel coin—namely, the five-cent piece. Fifth, bronze coin—namely, the one-cent piece. Sixth, national bank notes. These are notes issued by a national bank and secured by United States bonds deposited in the United States Treasury. Such notes are not legal tender, although one national bank is bound to receive the notes of other national banks. As the redemption of the notes is guaranteed by the United States government, they pass current the same as if they were legal tender. Seventh, silver certificates, which are issued by

the United States Treasury against silver dollars or silver bullion stored in the Treasury. Owing to the bulk of silver money, these certificates are much preferable to the actual dollars themselves, and naturally have taken the place of silver dollars for general circulation. Silver certificates, like national bank notes, are not legal tender, but are receivable for public dues. Eighth, gold certificates, which are issued against gold coins or gold bullion deposited in the United States Treasury. These certificates are used in a manner similar to that of the silver certificates. As in the case of silver certificates, gold certificates are not legal tender, but are receivable for all public dues. Ninth, greenbacks, or United States notes. These are notes issued by the United States government, and are full legal tender. Tenth, United States Treasury notes, issued against silver bullion stored in the Treasury and purchased under the Sherman act of 1890. They are full legal tender except when otherwise stipulated.

266. Credit.—In a general sense credit means the ability to borrow money or obtain goods or some form of service, to be paid for thereafter. By means of credit a person may receive some present benefit under an agreement that in return therefor he shall on some future day give an equivalent. Credit is the foundation of commerce, and should be of first importance to a business man. Should he never desire to purchase goods on credit, or borrow money for the operation of his business, credit is nevertheless a valuable asset to him. It shows the favorable opinion of the business community in his solvency, honesty, or business capacity. Such a reputation is valuable at all times, and especially so in times of depression or emergencies. It has been estimated that more than 92 per cent of the world's commerce is conducted on credit. Even banks and large financial institutions frequently need credit to meet their obligations. In times of panic, banking institutions issue clearing house certificates, which may be used locally as a temporary currency.

The subject of credit is one of vital interest to every business man, as his success will largely depend upon the proper exercise of forethought and prudence in accepting or extending credit to others. There are commercial agencies which publish estimates of the business ability, resources, and liabilities and general character of business concerns, and these reports are used frequently as a basis upon which credit is extended. There are several such agencies in this country, but those of the Bradstreet Co. and R. G. Dun & Co. are the two principal ones. These companies undertake to furnish to their subscribers, for a consideration, general or detailed information as to the character, reputation, standing, and resources of any business concern.

267. Bank Credits. — Banks will loan money to responsible parties within a reasonable limit. Of course the regular customers of banks are entitled to the first consideration, although some banks will loan money to firms who are not their regular customers. When this is done, however, it is usually done on collateral security. If your standing in the business community is good, you need not hesitate, when occasion requires, to offer your paper at your bank for discount. Be scrupulously exact in meeting such obligations. Make your own notes and acceptances payable at your bank; keep a careful record of the maturity of your business papers, and be prompt in honoring the same at maturity. As a usual thing a business man can obtain from his banker all the credit necessary, or that his line of business will warrant; but if for any reason he should decline your paper, do not become offended by his action. If he did not use judgment in making loans, you would not want to keep your money on deposit in his institution, and you cannot censure him for being conservative and careful in placing the funds belonging to others.

268. Borrowing Money.—It sometimes happens that a customer of a bank wishes to use more ready money than

he has at his command. In such a case he speaks to the cashier or discount clerk in regard to his needs. He states definitely the amount of money that he wants, the length of time for which he wishes the loan, and the security which he is willing to offer. A bank is not usually willing to loan money for a longer time than four months, and some banks make three months the limit. The reason for this is that a bank must pay its depositors upon demand, and therefore aims not only to keep an ample reserve fund in cash, but also to have all its resources in such condition that they can be turned into cash in a few weeks. A bank often has, however, an understanding with its regular customers that their notes may be renewed at maturity. The two kinds of security usually offered for loans are: (1) The indorsement of individuals or firms whose credit is thoroughly established; (2) the deposit of valuable bonds or stock as collateral. In the first case certain friends of the borrower are guaranteeing the repayment of the loan; in the second case the borrower has put some of his desirable personal property into the hands of the bank to be sold if he does not pay the money he has borrowed. A bank has the privilege of taking interest in advance for money loaned. For example: If a man borrows $1,000 for thirty days, he gives his note for $1,000, without interest, and receives $995. Some banks make an additional charge besides the legal rate of interest, particularly if the amount is small or the time short. This additional charge is called exchange. Many people who wish to borrow money of a bank do not bring their own notes, but the notes of others, which they indorse. A merchant, for example, who needs money to buy more goods persuades those who are owing him to give their notes, payable at such times as they expect to have money; then he takes these notes to the bank and has them discounted, and the net proceeds placed to his credit. A customer should not be offended if the bank does not always grant him the loans which he asks, nor should he

expect the cashier to tell him why his application for a loan could not be granted. The officers of the bank may be reluctant to say what they think, or they might have some other reason for declining the loan. The maker of a note should be very prompt in paying his note at its maturity; or, if he cannot pay it, he should make arrangements beforehand in order that it may not go to protest. Thus will he establish for himself a good reputation, and have reason to expect that his notes will have favorable consideration on the part of the discount committee in the future.

269. Call Money.—Banks and trust companies located in the large financial centers find it very convenient to place their loans on call. Call loans are those made payable on demand, and are secured by demand notes, together with collaterals. It would be impossible for the stock and bond brokers of Wall Street to do the enormous business which is there done unless they could borrow large sums of money from the banks and trust companies of New York, and all such loans are made usually on demand notes.

270. Collateral Security.—Collateral security is the security given to guarantee the payment of a note. For instance, you wish to borrow $5,000 from a bank. The bank is willing to loan you the money, but not to loan it without some form of security. You possess fifty shares of the capital stock of the Commercial State Bank, of Birmingham, Ala., par value $100 each. You give the bank your note for $5,000, together with the stock, to be held as security until the note is paid. This collateral passes into the possession of the bank, but does not become its property, and the bank is liable to you for its return when the note is paid at maturity. If at maturity the note is not paid, then, by virtue of the conditions stipulated in the collateral note which you signed, the bank would have a right to sell the stock to the best advantage possible, either at public or private sale. If the proceeds from the

sale should be more than sufficient to meet your indebtedness at the bank, then the excess would be paid over to you; but if not sufficient to meet the amount of the note, then the amount thus realized by the bank would be credited on the note, and you would still be liable for the unpaid amount of your note.

CHAPTER XXIV.

POWER OF ATTORNEY, COMMERCIAL AGENCIES, PETITIONS, AND MISCELLANEOUS.

271. Power of Attorney.—Frequently it is necessary for a corporation, firm, or individual to transact business through those employed for that purpose, as, for instance, to sign a deed or execute a mortgage or contract, or to perform certain services. In such instances the agent is given authority and power to represent the principal, and the instrument of this authority is called the Power of Attorney. Power of Attorney is a written statement which gives the agent specified therein full authority to do the act stipulated in the instrument, and exercise the same authority as the principal would have. Such acts on the part of the agent, when done within the scope of authority as authorized by the articles in the Power of Attorney, are binding upon the principal. Generally speaking, a person competent to make any contract is competent to appoint an agent by contract or ratification.

272. Revocation of Power of Attorney.—Power of Attorney may be irrevocable or revocable, according to the conditions mentioned therein. The following form is given of the revocation of the Power of Attorney:

REVOCATION OF THE POWER OF ATTORNEY.

Know All Men by These Presents:

That whereas I, H. J. Holm, in and by my letter of

attorney, dated January 15, 1911, did make, constitute, and appoint C. F. Beutel my attorney, as by the said letter of attorney will more fully and at large appear:

Now Know Ye, that I, the said H. J. Holm, have revoked, countermanded, and made void, and by these presents do revoke, countermand, and make void, the said letter of attorney above mentioned, and all power and authority thereby given or intended to be given to the said C. F. Beutel.

In Witness Whereof I have hereunto set my hand and seal, this the twentieth day of July, nineteen hundred and eleven. H. J. Holm.

In the presence of:

C. Eldridge, [SEAL.]

A. L. Walker.

273. Forms of Petition.—Sometimes people have occasion to ask those in authority to grant certain concessions or to abate some nuisance or to enact some law. This is done in the form of a written instrument called a petition, the exact wording of which varies, of course, in accordance with the request. The first requisite is that the petition should set forth clearly the wishes of the signers. There is no special form to be employed.

FORM OF PETITION.

To His Excellency, W. D. Jelks, Governor of the State of Alabama, Montgomery, Ala.: We, the undersigned, citizens of the County of Jefferson, in the State of Alabama, respectfully solicit and request that the honorable Judge of the Circuit Court for the within-named county be granted an assistant for and during his term of office, that he may be relieved of part of his duty as Circuit Judge of said county, and we, the undersigned citizens, are of the opinion that the cases appearing before the said court are too voluminous and heavy for one justice to handle, though he be ever so competent, as is the case with the present incumbent.

Form of Power of Attorney.

Know all Men by these Presents,

That I, R. S. White, of the city of Richmond, county of Henrico, and state of Virginia,

have made, constituted, and appointed, and by These Presents do make, constitute, and appoint W. M. Wagner, of the said city, my true and lawful *attorney* for me and in my name, place, and stead, to grant, bargain, and sell all such lands, tenements, and hereditaments whatsoever, situated in the state of Virginia, whereof I now am, by any ways or means howsoever, entitled to or interested in, either in severalty or jointly, or in common with any other person or persons, or any part, share, or proportion thereof and all such right, title, interest, claim, and demand, both in law and in equity, as I may have in the same, for such sum and price and on such terms as to him shall seem meet,

giving and granting unto my said *attorney* full power and authority to do and perform all and every act or thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that my said *attorney* or his substitute shall lawfully do or cause to be done by virtue thereof.

In Witness Whereof, I *have* hereunto set my *hand* and *seal* the fifteenth day of December One thousand nine hundred and eleven.

R. S. White { SEAL }

In Presence of

B. A. Davis. [L. S.]

State of Virginia.

County of Henrico } ss.

City of Richmond }

On this fifteenth day of December in the year One thousand nine hundred and eleven before me, the subscriber, personally appeared R. S. White to me personally known to be the same *person* described in and who executed the foregoing instrument, and *he* acknowledged to me that *he* executed the same.

J. R. Palmer,

{ NOTARY'S SEAL }

Notary Public for Henrico County, Virginia.

We pray that the within petition will not be inconsistent with your views in the matter.

(Here insert the city, State, and date.)

(Signed by 500 of the taxpayers of Jefferson County.)

274. Commercial Agencies.—The vast volume of commerce is conducted more or less on a credit basis, and it is necessary to have an accurate report on the various firms doing business with them before credit can be extended with intelligence. Such information is largely supplied by Commercial Agencies. There are in the United States several of these institutions, the two largest of which are R. G. Dun & Co. and the Bradstreet Co. These firms publish reports of the credit and standing of men in various lines of business. They get this information in various ways, principally through their agents or local representatives, who are located in the principal cities of the country. Every business man needs credit, and his rating in the mercantile report is of the greatest importance to him. To illustrate, we will say that Mr. John Blank, who resides in Riverside, Ga., sends an order for a bill of good to the firm of C. F. Beutel & Co., Tacoma, Wash. As the firm of C. F. Beutel & Co. has had no business dealings nor acquaintance with Mr. Blank, and has no knowledge of his financial standing, it would be very risky for the firm to make shipment of the goods without first satisfying themselves of the probability of making collection of the account when due. C. F. Beutel & Co., being subscribers to one of the Mercantile Agency reports, either consult the General Reference Book, wherein a general rating is given, or secure a special report. This special report can be obtained by applying to any office of the Agency. We will suppose that Mr. Blank is rated in the Reference Book with an estimated wealth of "V.E." This would mean that his resources are estimated between three and five thousand dollars, and his general credit fair.

Great care should be taken in giving information to the Commercial Agencies, because if false statements are made they are usually found out and the firm's rating injured thereby. On the other hand, the Commercial Agencies are very anxious to rate a business man as accurately as possible, and for this reason they usually request the firm on whom the report is to be made to make their own rating. This rating is usually verified by

Inside Cover of Reference Book.

This book is the property of the Commercial Agency.

It is loaned to subscribers under a certain specific agreement, and is to be returned as per conditions of the agreement under which it is loaned.

inquiry and in other ways. If the agency purposely gives false information in its report, injurious to the credit of a business man, he has the right of an action against such agency for damages. If the Agency, through negligence, should give incorrect information to its subscribers about the credit of a firm's rating; and if credit is extended on the strength of such information thus furnished by the Mercantile Agency, and the subscriber suffer loss thereby, the Agency would be liable to the subscriber for damages.

275. Reference Books of Commercial Agents.—Most Commercial Agencies publish Reference Books quarterly, and generally the first of January, March, July, and

Form of Blank for Rating.

Statement of .....

Address .....

Financial condition on ..... 191....

as per .....

Please state if estimate or inventory, giving dates.

ASSETS OF ALL KINDS, IN AND OUT OF THE BUSINESS.

Merchandise, at cost . . . . . $.....

Notes and accounts receivable, actual value . . . .

Cash on hand and in banks . . . .

Machinery, actual value . . . .

Fixtures, actual value . . . .

Homestead, present value . . . .

Other real estate, present value . . . .

Other assets, actual value (indicate of what composed) . . ..

.....

.....

Total value of assets, less exemptions . . $.....

DIRECT LIABILITIES OF ALL KINDS, IN AND OUT OF THE BUSINESS.

On open account for merchandise . . . . . $.....

On notes given for merchandise . . . .

To banks for borrowed money . . . .

To others for borrowed money . . . .

To relatives, employees, or others for money left on deposit, not included above . . . .

On homestead . . . .

On other real estate . . . .

Other indebtedness . . . .

Total amount of indebtedness . . . . $.....

How much of the indebtedness is past due? . . . .

If any of the liabilities enumerated above are secured by mortgage, give details below.

Amount of mortgage or lien on merchandise . . . . $.....

Amount of mortgage or lien on machinery . . . .

Amount of mortgage or lien on homestead . . . .

Amount of mortgage or lien on other real estate . . . .

Annual sales . . . . . $.....

Insurance on merchandise . . . .

Insurance on buildings . . . .

Ever burned out? If so, give particulars .....

.....

.....

The homestead given in this statement stands of record in name of.....

.....

And is located at.....

.....

The other real estate given in this statement stands of record in name of.....

.....

And is located at.....

.....

Bank with.....

Buy principally of.....

.....

.....

References.....

.....

.....

.....

REMARKS.

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(Please sign).....

Signature of Firm or Individual.

September of each year. In addition to the four General Reference Books published during the year, Notification Sheets are frequently issued. These sheets record the names of new firms, changes in old ones, fires, failures, judgments, etc. The forms given herewith will show how

Key for Reference Book.

The omission of a rating is not intended to reflect upon a party's credit. It simply implies that we have not the information upon which to base a rating.

ESTIMATED WEALTH			GRADES OF CREDIT		
			1st	2d	3d
G	$1,000,000 and above.		Aa	A	B
H	500,000 to	$1,000,000			
J	400,000 to	500,000			
K	300,000 to	400,000			
L	250,000 to	300,000	A	B	C
M	200,000 to	250,000			
N	150,000 to	200,000			
O	100,000 to	150,000			
P	75,000 to	100,000			
Q	50,000 to	75,000	B	C	D
R	35,000 to	50,000			
S	20,000 to	35,000			
T	10,000 to	20,000	C	D	E
U	5,000 to	10,000			
V	3,000 to	5,000			
W	2,000 to	3,000	D	E	.....
X	1,000 to	2,000			
Y	500 to	1,000			
Z	0 to	500	E	.....	.....

The division sign (÷) indicates more than one business.

the pages of Reference Books and the Notification Sheets are made up. The Reference Books are arranged by post offices and States. Under each town is given some information as to the population, distance from railroad station (if not on a railroad station), county, and distance from the principal towns. Then follow the names

of the merchants or business men, their lines of business, and their rating.

276. Financial Statements.—A financial statement is an exhibit of the conditions or results of a business. If this statement is shown in detail, itemizing all resources and liabilites and showing the losses and gains and their sources, it is called a balance sheet. It is not customary, however, to furnish the Mercantile Agencies with a balance sheet, but merely a financial statement showing resources and liabilities and net present worth.

Such statements usually show the amount of cash on hand and the amount in bank; the value of merchandise on hand, if any, or in the case of a manufacturing plant, the value of their finished product as well as their raw material on hand; all chattels belonging to the business; bills receivable, which include all notes on hand and collectable; personal accounts collectable.

Liabilities: Bills payable to the amount of outstanding notes; personal accounts, or amount due on open account.

The difference between the liabilities and resources will give the present worth of the business.

Some Commercial Agencies have special printed forms which are more extended and give a résumé of the business. The form on pages 118 and 119 is the one in general use.

277. Value of Commercial Agencies.—The Commercial Agencies are now recognized as being indispensable in modern business. While their principal use is the giving of information relative to the financial standing of firms, they are frequently called upon to perform other services, such as collecting accounts, obtaining information of various kinds where reliability and secrecy are necessary. Through the Commercial Agencies information is obtained as to tax lists, dates and mortgages filed, judgments recorded, the moral character of people, etc. The expense to the subscriber is very small in comparison with the benefits which he derives from these reference books and

Specimen Page of a Reference Book.

CANNONSVILLE, Delaware Co.—6 J
Population 300—Banking Town Deposit
T Adams W. B. ..... Gro. H 3
Boyd B. S. & Co. ..... Creamery. G 3
T Constable Abram. ..... Gro. & B. & S. H 3
De Mott Chas. V. ..... Meat Market. L 4
S De Mott Fred. ..... Blacksmith. M 4
C Durfee Henry. ..... Hotel. J 3½
⅂ Gillett E. W. ..... Steam Saw Mill. H 3
▲ Hathaway Miss Maude A. .. Millinery. 4
■ Jester C. T. ..... Hardware. K 3½
✱ Judd Tunis C. ..... G. S. G 3
Z Pomeroy Mrs. W. G. (O. C.) .... Drugs. 4
T Teed A. D. ..... Gro.
S Watson Charles. ..... Blacksmith. L 4
✱ Winters A. ..... G. S. K 3½

CANOGA, Seneca Co.—5 G
Population 120—Banking Town Seneca Falls or Waterloo
S Bachman Isaiah. ..... Wagonmkr. M
C Burke Mrs. J. S. ..... Hotel. M
⅂ Hoster Bros. ..... Saw & Cider Mills. 4
✱ Messenger J. H. ..... G. S. J 3
▲ Reeder J. J. ..... Notions, &c. M
‖ Schuyler J. R. .... Grist & Cider Mills. G 3

CANTON, St. Lawrence Co.—1 J
Population 2,757—A Banking Town
T Aldrich A. M. ..... Gro. L 3½
T Aldrich Abner. ..... Gro. & B. & S. L 4
▲ Austin Cleland. ..... D. G. G 3
= Barber Nathan. ..... Harness. H 3
T Broehle C. E., Agent. ..... Gro.
S Brown Geo. W. ..... Livery. M
Bucks Bridge Lumber Co. ..... (See James Spears.)
T Bullis Henry. ..... Gro. E 2
Burrows Mrs. H. E. .5c. & 10c. Goods. H 3
● Bush B. H. ..... Boots & Shoes. G 3
T Bush H. L. & Co. ..... Gro. 4
V Canton Electric Light & Power Co. 4
⅂ Canton Lumber Co. ..... B 1
(Branch of Potsdam.)
Canton Marble Quarries .....
T Chambers C. W. ..... Gro., Bakery & Coal (d) G 3½
■ Clark John H. ..... Ag'l Implts. H 3
I Cleveland R. E. ..... Prod. & Coal. J 3½
Z Conkey Geo. S. ..... Drugs, &c. H 3½
V Cook C. R. ..... Machinist. M
C Coughlin D. J. ..... Hotel.
V Dailey Asa. ..... Machineshop. M
= Dezell Robert B. .... Books & Notions. K 3½
V Dishaw Bros. ..... Foundry. H 3½
Donihee James A. ..... Meats. H 3½
T Dunn W. E. & Son. ..... Gro. K 3½
Eldredge L. W. ..... Marble.
● Ellsworth Joseph B. & Son .... B. & S. G 3
S Erwin Frank. ..... Livery. L 4
C Erwin Samuel E. ..... Hotel. K 3½
= Finnigan John A. ..... Publisher.
Gaffney Simeon. ..... Cheese Factory. G 3
Gillette L. H. ..... Restaurant. M
D Gilmore G. H. .... Furn. & Undertaker.
Z Goodenough C. & Co. ..... Drugs. 3
= Green E. A. ..... Harness. J 4
= Hall Chas. W. ..... Harness. M
◆ Heaton E. L. ..... Jeweler. G 3
● Heckles & Eggleston .. B. & S. & Gro. H 3½
▲ Hefferman Miss M. A. ..... Milliner.
C Hoard Wm. B. ..... Hotel. M
Hosley Edwin. ..... Market. K 3½
■ Howe Bros. ..... Hardware. G 3
S Hurst I. H. ..... Wagonmkr. M
Infantine Thos. ..... Fruits, &c. M
‖ Jack Geo. W. ..... Bakery, &c. L 3½
Jackson D. L. ..... Prod. J 3½
■ Jamison Bros. ..... Hardware. G 3
S Jeffry J. W. ..... Blacksmith, &c. L 3½
✚ Jordan D. M. ..... Clothing. H 3½
Kenyon C. M. ..... Meat Market. L 4
▲ Kilbourne Mrs. A. ..... Milliner. M 4
◆ Kip Bert. F. ..... Jeweler. 4
✓ Lake Angus J. ..... Cigars, Coal, &c. K 3½
C La Rue & Sargent. ..... Hotel. G 3
‖ Lasell S. W. ..... Flour & Feed. J 3½
T La Turner Paul. ..... Gro. M

Codman F. L. & J. C. .... Felt & Cotton Buff Wheels. G 3½
(Branch of Boston, Mass.)
✱ Rowcroft Samuel A. ..... G. S. H 3
Utica Cotton Co. ..... C+1½

CARDIFF, Onondaga Co.—5 H
Population 150—Banking Town Syracuse
T Bennett Geo. E. ..... Gro. & D. G. K 3½
T Holmes N. M. (Mrs. S. M.) .. Gro., &c. 4
✱ McIntyre W. Henry. ..... G. S. H 3

CARLISLE, Schoharie Co.—5 L
Population 350—Banking Town Cobleskill
▲ Angle Wm. ..... D. G. & Gro. H 3
⅂ Brown & Bander. ..... Saw Mill. L 4
■ Crosby Isaac. ..... Hardware, &c. K 3½
■ Dwelly Geo. B. .. Furnace & Mfr. Ag'l Implts. 4
S Fiero Isaac. ..... Blacksmith. H 3
L Hunter John. ..... Hotel. M
✱ Simpkins L. A. ..... G. S. 3
S Turbush Henry E. ..... Wagonmkr. L 3½
✱ Yates E. F. ..... G. S. M

CARLISLE CENTER, Schoharie Co.—5 L
Population 100—Banking Town Cobleskill
S Burhans Melvin. ..... B'smith & Gro. K 4
V Gordon Chas. ..... Machinist. M 4
⅂ Russell John. ..... Saw Mill. 4

CARLTON, Orleans Co.—5 D
Population 100—Banking Town Albion
✱ Bamber B. A. ..... G. S. H 3½
■ Callard Geo. N. .. Portable Saw Mill & Threshing Machines. K 4
Cook Henry V. ..... Mfr. Barrels, &c.
C Donnelly Henry. ..... Hotel.
⁄ Fowler B. S. ..... Cigars & P. M. M
I Fuller E. D. (Carlton Station) .. Coal. L 4
⅂ Godfrey M. P. (H. S. Selheimer, Agt.), Lumber & Shingles. G 3
✱ Hoot Robert. ..... G. S. L 3½
L Kelsey O. S. ..... Contr & Builder. L 4
S King Nelsen (Carlton Station) ..... Blacksmith. M
‖ Levis Thos. R. & Co. .... Whol. & Ret. Prod., Grain, &c. (Branch of Rochester.)
✱ Maginn Miss M. E. ..... G. S. J 3½
S Podgers John J. ..... Blacksmith. L 3½
⅂ Selheimer H. S., Agt. .... Lumber, &c. (See M. P. Godfrey.)
Simpson J. C. ..... Auctioneer. M
L Smith James A. ..... Cooper & Carptr. K 3½

CARLYON, Orleans Co.—4 D
Population 125—Banking Town Albion
I Bolyard W. C. ..... Cooperage & Coal. M
Clark C. C. ..... Mfrs. Wire Fence. M 4
‖ De Cost Joseph. ..... Grist Mill, &c. J 3½
▲ Handy Mrs. M. W. .. Notions & P. M. L 4
Houseman G. A. ..... Prod. H 4
C Simpson Fred. B. ..... Hotel. M
C Simpson R. F. ..... Hotel.
✱ Welch G. M. ..... G. S. H 3½
Whittleton G. E. Evaporated Fruits.
Whittleton I. E. ..... Prod. H 3½

CARMAN, Schenectady Co.
Pop. 500—Banking Town Schenectady
I Cady Henry C. & Son. ..... Coal. 3
T Carman W. S. ..... Gro. 4
C Dowling & Howensten .... Hotel. 4
⅂ Pierce J. B. ..... Lumber. G 3½
T Smith G. W. ..... Gro. 4

CARMEL, Putnam Co.—8 M
Population 588—A Banking Town
✱ Barnett Samuel T. ..... G. S. F 2½
✱ Bumford C. C. ..... G. S. G 3
Carver Wallace C. ..... Butcher. K 3½
C Cole Lewis E. ..... Hotel.
‖ Cole M. J., Estate of. ..... Flour, &c. H 3½
T Cole Bros. ..... Gro. M
Corbin A. E. ..... Butcher, &c. L 3½
✱ Cornish Joseph. ..... G. S. 4
L Fowler E. .... Carptr., Bldr. & H ware. G 3
■ Ganong F. J. ..... Stoves & Tinware. K 4
✱ Ga Nun B. C. ..... G. S., Soda Water, Ice Cream & Fruit. ⅂
L Hyatt J. D. ..... Contractor. J 3½

reports. For instance, if a firm in any part of the country places a mortgage upon its goods or becomes bankrupt or attempts to defraud its creditors by making assignment, this information is immediately given to their subscribers, in forms of Special Reports. Large sums of money are frequently saved to wholesale firms by the information that they gain through the Commercial Agencies about their customers.

278. Brush-Marking.—The ability to write rapidly and neatly with a pen or brush in marking boxes, packages, etc., is frequently of great value to young men, especially those just beginning their careers. It is comparatively an easy matter to learn to mark the letters of the alphabet, and can be learned by any one with little practice. The illustration given on page 124 shows the alphabet in a style suitable for marking boxes, show cards, and large packages. The letters should be made to slant toward the right or the left, as in the illustration given. The letters slanting to the left are preferred by most markers. The light strokes should be given at the top and gradually increased in thickness until the bottom of the letter is reached. The learner will meet with more success if he selects but one style of letter and sticks to it until he has learned to make it well and rapidly. He should first strive to get the exact form. After this has been accomplished, then speed will come with practice. Select a camel's-hair brush of good quality. It is well to have several sizes on hand, as they may be needed for various-sized packages, but Nos. 3 and 4 are the ones that will be most frequently used. The ink should be thick and of a quality not to run or blur. The kind made out of lampblack and benzine is usually the best. For marking small packages and small signs, a flexible steel pen is recommended.

279. Marking Goods.—Most mercantile houses mark their goods with a cost price which may be known to the salesmen only, and then a selling price. Sometimes

ABCDEFGHIJKLMNOP

QRSTUVWXYZ

abcdefghijklmnopqrstuvwxyz

0123456789 $ & Co.

the selling price is marked in plain figures, but the cost price is always marked in a secret marking key. Any word or combination of words containing ten different letters may be used for this purpose. Let each letter represent a figure. For example: Black horse. In this word each letter represents a figure, and by the combination of these letters the cost price is ascertained: BLACK HORSE. 1 2 3 4 5 6 7 8 9 0. Suppose an article has cost the firm $3.45, the price would be ACK.

A	U	T	H	O	R	I	Z	E	D
1	2	3	4	5	6	7	8	9	0
N	O	W	B	E	Q	U	I	C	K
1	2	3	4	5	6	7	8	9	0
M	I	S	F	O	R	T	U	N	E
1	2	3	4	5	6	7	8	9	0
P	R	E	V	I	O	U	S	L	Y
1	2	3	4	5	6	7	8	9	0
S	E	N	T	B	Y	M	A	I	L
1	2	3	4	5	6	7	8	9	0
C	A	S	H	P	R	O	F	I	T
1	2	3	4	5	6	7	8	9	0
H	A	R	D	M	O	N	E	Y	S
1	2	3	4	5	6	7	8	9	0

COST MARK CIPHERS.

Suppose an article had cost $34.50, the mark would be ACKE. Sometimes an extra letter is used, called a repeater, to prevent too much repetition of the same letters. There are various ways of marking goods so as to keep secret the cost price besides that illustrated above, such as having geometrical circles and angles and dashes. The latter plan, however, is more complicated, and is not to be recommended.

CHAPTER XXV.

BOARDS OF TRADE, SPECULATION, AND INVESTMENT.

280. Stock Exchange.—London, New York, Chicago, and all the great cities have associations that deal in bonds, grain, cotton, oil, provisions, as well as other commodities. Most of these associations are devoted to transactions in single classes of commodities or investments; as, for instance, the New Orleans Cotton Exchange, wherein the dealings are only cotton, or the New York Coffee Exchange, where no deals are made other than in coffee. The principal stock exchange in America is located in New York, and is known as the New York Stock Exchange. This association was established in 1817, and since that date has been the principal medium through which the vast volume of trade in stocks and bonds in America has been conducted.

The principal grain exchange is located in Chicago, and is called the Chicago Board of Trade. The principal cotton exchange is located in New Orleans, and is known as the New Orleans Cotton Exchange. In some of the larger cities of the United States are associations of business men organized for the purpose of furthering the commercial interests or for the advancement of their cities, and are not organized for the purpose of barter. These associations are sometimes spoken of as Boards of Trade, although, more properly speaking, they are commercial and industrial associations.

The visitor who for the first time looks down from a gallery upon the brokers of the New York Stock Exchange while they are transacting business is astonished at the apparent confusion he witnesses, and the thought occurs to him that he is in a house of lunatics. Nothing could be farther from the truth. These men are the

brokers who are executing the orders to either buy or sell for their principals, who are located in various parts of the United States, and while there is apparent confusion, the whole structure of the New York Stock Exchange rests upon system and order.

What the New York Stock Exchange is to America the London Stock Exchange is to the world; therefore the New York broker, before beginning his day's work, usually consults the London quotations, which are delivered in New York before ten o'clock in the morning.

The New York Stock Exchange is limited to eleven hundred persons, and a seat or the right of membership in that institution has become very valuable, recent prices ranging from $75,000 to $90,000 per seat.

There are four hundred and twenty-nine different stocks listed on the exchange. A large number of these stocks are known as inactive stocks, and about one hundred and fifty different kinds constitute an average day's market. A stock may be active to-day and inactive to-morrow. There are two main divisions in stocks—namely, railroad stocks, which are stocks issued by the various railroads, and industrial stocks, the latter being issued by the industrial corporations, such as American Tobacco, United States Steel, and Amalgamated Copper. Stocks and bonds sold in the regular way are deliverable to the buyer during the Exchange hours following the day of sale. The prevailing prices on the floor are quickly ascertained and reported by telegraph to the outside world. In hundreds of offices in New York and other cities can be seen little instruments, similar to the telegraph ticker, which automatically print abbreviated names of the stocks, together with the prevailing prices.

The prices quoted by the New York Stock Exchange usually rule in all of the smaller exchanges scattered throughout the United States. Purchases on the Exchange may be made outright—that is, the stocks bought and paid for in full—as in the case of any other commodity, or they

can be purchased on margin. The latter method is known as speculation, in contradistinction to the first method.

281. Technical Terms.—A purchaser who buys stock "long," for the purpose of advancing prices, is known as a "bull." The term "bear" is applied to those who sell stock short with the purpose of depreciating values. The bull expects prices to advance; the bear expects them to decline.

A broker is one who buys or sells for his principal on a commission, which in the New York Stock Exchange is governed by rule as one-eighth of one per cent of the par value of the stock handled. The advance and decline of stocks is measured in points, and means one per cent on the par value.

A "put" is an agreement whereby one party agrees to accept, upon one day's notice, a certain number of shares of a given stock at a stipulated price. A "call" is a contract which secures to the holder the privilege of buying a certain number of shares of stock within a limited time, without any obligation to purchase unless he so desires, and is, therefore, just the reverse of a put. Since a call is just the opposite of a put, a profit is realized to the holder when the price of the stock involved advances enough to cover the expenses. The object of a put is to serve as insurance to the investor against a radical decline in the value of any stock he may own. The investor, through his broker, buys the stocks outright, paying therefor and having the stock delivered to him. The speculator usually trades on margins.

282. Trading on Margins.—A margin is a deposit of cash made with a broker by his customer as security against loss to the broker in case of a depression in the value of stocks purchased and carried. For instance, a speculator has $1,000 to invest; he buys $10,000 worth of stock, his $1,000 being ten per cent of the total amount. The stock which he purchases is not actually delivered to him, but is delivered to a broker, who advances to the

speculator ninety per cent of the value of the stock. If the stock declines in value, the speculator must put up more margin to make his contracts hold, otherwise the broker will sell the stock at once to protect his own interest. The usual margins are ten per cent of the par value of the stock purchased, but they vary with the brokers of the different cities. All members of the Stock Exchange are brokers who buy and sell for the speculators who are non-members. A margin is merely a partial payment, but the broker who buys for a client on margin not only pays the full purchase price, but the stock is actually delivered into his possession. As the transactions with the brokers in the aggregate amount to millions of dollars, it would be impossible for any one to act as a broker but the most wealthy, were it not for the fact that the banks and trust companies play a part in the dealings on the Stock Exchange. The broker buys for his principal on margin a certain stock, receiving from his principal the ten per cent margin. The broker then borrows from his bank the ninety per cent necessary to pay for the stock. The stock is delivered to the broker, who immediately turns it over to the bank to be held as collateral security until the speculator either takes up the loan or orders the stock sold.

283. A Corner.—A corner is a controlling interest in the available supply of stocks or other commodities and forcing others to purchase at exorbitant prices in order to comply with previously made contracts.

284. Boom and Panic.—A boom is an expansion of credit and an inflation of value. A panic is the reverse, and means a contraction of credit and depression of values.

285. A Syndicate.—A syndicate is a party of capitalists who unite their resources to accomplish some financial end, and usually for large undertakings, such as the purchase of railroads, to take an entire issue of stocks or bonds, or other transactions requiring large capital.

286. A Pool.—A pool is a syndicate of capitalists who pool their interests for a common purpose and a common gain.

287. Bucket Shops.—Bucket shops are institutions conducted nominally for the sale and purchase of stocks and bonds, but are in reality nothing better than places where bets are made, usually for small amounts, as to the rise and fall of prices in stocks, there being no actual delivery. In most cases the bucket shop proprietor will take the other end of the transaction, and while they are governed by the New York Stock Exchange prices, no actual deliveries are ever made.

It is estimated that in 1905 there were more than two hundred bucket shops in and around Wall Street, and upward of eight hundred in the United States. Bucket shops are the pests of speculators, and fatten off the savings of clerks and other persons—women as well as men—of small salaries or incomes. These people have heard extravagant stories of the immense fortunes which have been made in Wall Street, and they are eager to double their money without any adequate idea of the risks they are taking in speculating through these bucket shops. They have not the means or knowledge for successful operation. In fact, they can ill afford to speculate in any form, much less trust their investments to the bucket ship fakirs. Most speculators who enter Wall Street are bulls, and the customers of the bucket shops bet that prices will advance, so that the proprietor reaps great profits in a bear market. Should the bull market be continuous, they of course would lose; but in most such cases the bucket shops simply shut up or go into the hands of receivers, so that those making investment through this source lose in the long run, no matter which way the market goes. There is a vast difference between the bucket shop and the legitimate Stock Exchange broker. The broker is more successful when his clients are making

money, whereas with the bucket shop it makes its money only through the loss of its victims.

288. Long and Short Holdings.—A speculator is said to be "long" when he has bought with the expectations of a rise. Since it is to the interest of those "long" of stocks to advance or appreciate the market, they are called "bulls." Bulls are charged with interest on the stocks which they carry, hence their desire to sell out or unload at a profit. An operator is said to be "short" when he has sold stock which he does not own for future delivery. His profits, of course, must depend upon a decline in the price of stocks before the contract expires. Those short of stock, or the "shorts," as they are usually called, pay no interest. They are called bears from their propensity to bear down the market. We often read such statements in our daily papers as this, "The bulls had their inning to-day," which means that prices had an upward tendency; or, "The bears swept everything before them," indicating a general fall of prices.

289. Market Quotations.—The daily newspapers, especially those published in the larger financial centers, publish a daily record of the market quotations, and every person should be sufficiently familiar with these quotations to understand their meaning. Quotations are given not only on the stocks and bonds, but the ruling price of grain, provisions, and live stock as well. Usually four prices are given—the opening, the highest, the lowest, and the closing quotations—while some papers give the total number of shares dealt in for the day. These daily quotations as established by the various Boards of Trade are very important factors in our civilization, as they determine not only the actual sales made upon the Boards of Trade, but they establish prices for private sales throughout the world.

The prices given in the market quotations are for the actual sale of these commodities in the principal market centers of the country.

290. Present and Future Delivery.—Purchases on the Cotton, Grain, and Provision Boards of Trade may be made for present or future delivery. When cotton is sold to be delivered at once, it is called "spots;" while the one who deals in cotton to be delivered at some future time is said to be "dealing in futures." The changes in the market from day to day and hour to hour are dependent upon the actual sales. The instant a sale is made on a certain article, if higher or lower than the previous sale, a new price is established, which affects the future sale. Sometimes commodities, especially those of an active nature, will change prices constantly, establishing several records perhaps within an hour's time, the prices ranging higher or lower according to the opinion of buyers and sellers as to what prices will prevail at some future time of delivery. On page 133 is given a range of prices on the New York Stock Exchange as they appeared on the quotations of a certain date. It will be noted that some of the stocks sold above par, while others below par. A stock is said to sell at par when it sells for $100 per share, or for its face, although some corporations are divided into shares of $50 per share. In the latter case, if a stock was quoted at $50 it would then be quoted at par. By referring to the quotations on page 133, it will be observed that L. & N. Railroad stock closed at $153⅞. This would mean that the stock was worth more than par; or, in other words, each share of L. & N. Railroad stock is worth on the open market $53.87½ above its face value. It will also be noted that other stocks sold at much below par. For instance, International Pump stocks closed at $30, which would mean that it sold $70 below its face value.

291. Financial Crises.—Disturbances of the course of trade arise largely from the necessity of readjusting its conditions to the common standard and measure of value. The common standard of value is money, and the conditions of trade which require to be adjusted to it are

NEW YORK STOCK LIST.

STOCKS.	Sales.....	Highest.....	Lowest.....	Closing.....
Adams Express				240
Amal. Copper				111
Am. Car & Fdy	12,800	47⅛	46⅛	46¼
do. pfd	300	104¼	103¾	103½
Amer. Cotton Oil	1,400	41⅞	41½	41½
do. pfd	400	94½	94½	94
Amer. Express	700	249½	245	247
Am. Hide & L. pfd	2,300	42¾	41	40
Amer. Ice	800	44⅝	44	43⅞
Amer. Linseed Oil	400	26¾	26	25½
do. pfd	300	48½	47	46¼
Amer. Locomotive	27,200	76½	74	75
do. pfd				117½
Am. Smelt. & Rfg	15,600	171¾	170	170¼
do. pfd	700	128½	128	127⅞
Amer. Sugar Rfg	6,800	152⅛	151	151
Am. Tob. pfd. cert	700	107	107	106⅞
Anaconda Min. Co	36,000	279	274	276
Atchison	17,700	94¾	93¾	94¼
do. pfd	100	103½	103½	103¾
Atl. Coast Line	3,800	167	165⅞	165½
Balti. & Ohio	19,700	116¾	115⅝	116⅜
do. pfd				98
Brooklyn R. T.	65,900	94⅛	93⅛	93⅝
Canadian Pacific	4,300	174¾	173⅞	174¼
Central of N. J	100	228½	228½	227
Chesa. & Ohio	23,500	62¼	61½	61¾
Chicago & Alton	100	33¼	33¼	33¼
do. pfd	100	80	80	80
Chi. Gt. Western	4,100	23	22½	22⅝
Chi. & N'western	1,400	234	233	234
Chi., Mil. & St. P	15,400	190½	188¾	189⅛
Chi. Ter. & Trans				16½
do. pfd				39
C. C. C. & St. L	300	108½	108	107
Col. Fuel & Iron	53,000	83⅜	81⅝	82½
Col. & Southern	4,200	36⅜	36	35⅞
do. 1st pfd	600	71¾	71¾	71¼
do. 2d. pfd	300	55	55	54½
Consol. Gas	5,100	181¾	179	180
Corn Products	5,300	18½	18	18⅜
do. pfd				57¾
Dela. & Hudson	500	222	221½	221½
Dela., Lack. & W				465
Denv. & R. Grande	14,500	51⅜	50½	51⅛
do. pfd	800	91¼	90¾	91
Distillers' Sec	1,700	53¼	52⅝	52¾
Erie	27,30	50⅛	49½	49½
do. 1st. pfd	500	82⅝	82½	82½
do. 2d pfd	400	75¼	74½	75
General Electric	400	177⅜	177	177
Hocking Valley	1,700	119	115½	116
Illinois Central	1,100	178⅛	177¾	178
Internat. Paper	1,500	25	24	24½
do. pfd				87
Internat. Pump	600	34½	31	30
Iowa Central	200	33½	33½	33
do. pfd				61½
Kansas City South				31¼
do. pfd	2,500	62	61	61¼
Louisv. & Nashv	900	154	153	153⅞
Manhattan L	700	162	161½	161¾
Met. Securities	3,600	72	71¼	71½

the prices of commodities and contracts and obligations of all kinds. Contracts and obligations, agreements to pay money at a future time for something presently received, form the credit system of modern commerce. Inability to meet these obligations constitutes bankruptcy, and a great multiplicity of bankruptcies occurring simultaneously constitutes a commercial crisis. If all persons were in the habit of paying immediately for everything received, there could be no debts, and consequently no failures nor panics. Those nations where the credit system has received its widest development, and where consequently the spirit of commercial adventure and speculation is most rife, are most exposed to the ravages of recurring periods of bankruptcy. Money panics are usually preceded by years of active trade, high wages, multiplication of new enterprises, and general prosperity. Each period of abnormal and exciting prosperity is followed by a violent collapse resulting in increased rates of interest, closing of factories, failures of banks and mercantile houses, and enforced idleness of large numbers of people, often resulting in extreme social disturbances. There is no remedy except in the concurrence of mankind to keep out of debt and to avoid all temptation to make gain without equivalent labor.

CHAPTER XXVI.

STOCKS, BONDS, AND OTHER INVESTMENTS.

292. Temporary Investments.—An investment is the laying out of money for the purpose of securing either a profit or an income. These investments may be temporary, where they are made with the view of realizing a quick profit by the sudden advance or the decline of prices—such, for instance, as temporary investments in stocks and bonds.

293. Permanent Investments.—A permanent investment is one made for the purpose of securing a regular income—such, for instance, as the investment in city, State, or government bonds, or the shares of a corporation, bank stocks, or improved real estate, with a view of holding and collecting the rents. In all permanent investments the first consideration, of course, should be safety and the permanency of the investment. The investment of funds calls for considerable study of conditions, judgment, and experience. It is even more difficult to keep money profitably employed than it is to make it. Changes are constantly occurring in business and new securities are being issued which may affect investments. Many States, notably New Jersey, have permitted corporations to greatly overcapitalize; therefore great care should be exercised in purchasing stocks of any description. There are innumerable kinds of stocks on the market—such as manufacturing companies, telegraph and telephone companies, mining companies, waterworks companies, oil and gas wells, electric light companies, patent right companies, railroad and transportation companies, mercantile companies of various kinds. In fact, almost every vocation is now carried on by means of corporations whose stocks are being offered for sale. Then there is another form of investment which in recent years has become very popular—namely, investments in mortgage bonds. Not only are properties of various kinds used to issue bonds upon, but there are all kinds of bonds issued upon the same property. The railroad companies, for instance, issue first, second, and third mortgage bonds, income bonds, convertible bonds, consolidated bonds, redemption bonds, renewal bonds, terminal bonds, division bonds, collateral trust bonds, equitable bonds, etc. As some one has said, there never was a time in the history of the world when it was so easy to invest money—and to lose it. Of the various securities, a large part would offer a very questionable means of investment. A safe

rule to adopt is never to buy cheap securities. If you have no means of knowing the intrinsic worth of stocks or bonds, the best plan is to omit them entirely from your list of investments. To make a successful investment in bonds or stocks requires very careful thought and study, as well as very excellent knowledge of the conditions of the markets. The young man just beginning business life should make investments only in such concerns as

Eclipse Rolling Mill & Manufacturing Company
CAPITAL STOCK, $80,000
THIS CERTIFIES THAT
Eclipse Rolling Mill & Manufacturing Company of Birmingham, Alabama
In Witness Whereof
$100

FACSIMILE OF A STOCK CERTIFICATE.

those of which he may have a personal knowledge, such as the stock in local banks, building and loan companies, etc.

294. Investment in Mortgage Loans.—First mortgage real estate loans, when properly made, may be classed among gilt-edge investments. The person loaning the money receives from the borrower a mortgage on his property. This mortgage sets forth a description of the property, together with the date of maturity of the loan and the rate per cent to be paid on the loan, together with

the dates on which the interest is payable. If the sum borrowed and the interest thereon are not paid at the specified time, the lender is entitled to sell the property and with the proceeds reimburse himself for the money which he lent and the interest on it.

295. Chattel Mortgages.—A mortgage of personal property is called a chattel mortgage, and is given for the purpose of securing the payment of a debt with a condition that if the debt is paid the conveyance is to become void. In effect, there is no difference between a chattel and a real estate mortgage, the former being given to cover personal property and the latter for real estate. It is customary for the debtor at the time of executing the mortgage to execute a promissory note in favor of the creditor for the amount of the debt. This is called a mortgage note. A mortgage may be given in case there is a debt already existing, or to secure or indemnify the mortgagee against some liability which may occur on behalf or for the benefit of the mortgagor. A mortgage, as soon as executed, should be properly recorded in the office of the register of deeds in the county where the property is located. This at once gives notice of the existence of a mortgage. Where several mortgages are given on the same property, the first mortgage is entitled to be paid first, then the second, and so on. The mortgagee may use his mortgage as security for a loan, or assign it to others. At the maturity of the mortgage, or at any interest period of the mortgage, if any requirements as set forth in the mortgage are not met, then the holder has a right, under certain conditions, to foreclose and sell the property within the time fixed by law. It is customary for the mortgagor to keep the property insured for the benefit of the mortgagee, and most mortgages have a clause which provides that if the mortgagor fails to keep the property insured the mortgagee may have it insured and the cost of the policy becomes a part of the original indebtedness.

296. Bonds in General.—It is well for the student to get in his mind a clear distinction between corporate shares and corporate bonds. The corporate bond is an obligation of the company, and is in effect a mortgage note. A stock certificate is merely an instrument showing proprietary interest in the business, and the stockholder stands much in the same relation to a corporation as does a partner in an unincorporated company. Bonds are usually issued by corporations as a means of obtaining permanent capital. They may be transferred by indorsement, as in other cases of negotiable instruments; such an indorsement carries with it the same significance as the indorsement of a note. This indorsement, however, may be qualified by writing in any manner agreed upon by the parties. Bonds may be divided into several general classifications, which we shall now briefly treat of.

297. Guaranteed or Indorsement Bonds.—A contract of security for the payment of a bond may be entirely personal—that is, a personal guarantee by responsible parties. This is the same in effect as a personal guarantee of a note. For example, A wishes to obtain $50,000 for the operation of some business. In order to raise this sum of money, he issues five hundred bonds of $100 each. These bonds he may offer in the market for sale, but unless A is well known financially there will be some difficulty in disposing of them to advantage. Therefore in the sale of these bonds we will suppose that B, a well-known banker in the vicinity, indorses the bonds. This would be done by writing on the margin thereof as follows: "For value received, I..... hereby guarantee the payment of both principal and interest of this certificate when due." This would then be dated and signed. The bonds thus become marketable, owing to the added security; and at maturity, unless redeemed by A, B will be called upon to make his indorsement good.

298. General Mortgage Bonds.—A general mortgage bond is one covering all the properties of a corporation. It is called a general mortgage in contradistinction to the various other kinds of mortgages. Such mortgages are considered the best security, as they are more extensive and embrace more security than special mortgages.

299. Real Estate Bonds.—Real estate bonds are bonds issued by corporations covering their real estate only. For instance, many of the railroads have received large land grants from the State and national governments. Desiring to raise money on these lands without selling them, the corporation would issue real estate bonds, which would be a mortgage covering the real estate. A real estate bond, being a special bond, would not cover any of the security or any of the properties of the corporation except the land specifically specified in the bond.

300. Blanket Mortgages.—If a corporation has already given mortgages on different parts of its assets, it can issue what is known as a blanket mortgage as security for a new issue—that is, a blanket mortgage which covers the properties held as security for the payment of all previous issues.

301. Consolidated Mortgage Bonds.—A consolidated bond is one of an issue secured by a general mortgage upon properties consolidated, the purpose being that of refunding the outstanding obligations of the several concerns combined. For instance, the Harris Transfer Co., with an outstanding obligation of $75,000 in bonds, consolidates with the Birmingham Transfer Co., which has outstanding bonds to the value of $50,000. The new corporation, to be known as the Union Transfer Co., wishes to retire the bonds of the two original companies. This can be done by an issue of consolidated mortgage bonds to the amount of $125,000.

302. Collateral Trust Bonds.—A Collateral Trust Bond is, in effect, simply a collateral note, and has for its se-

curity stocks, bonds, or mortgages placed in the hands of a trust company, that acts in the capacity of trustee. In default of the payment of the principal at the maturity of the bonds, or interest at any of the interest periods, the collateral securities thus deposited with the trust company would be sold and the proceeds applied to the payment of interest and principal. The issuing of Collateral Trust Bonds has been a favorite device used by large railroad corporations for the purchasing of the controlling interest in other roads. We will suppose, for illustration, that the Atlantic Coast Line finds it desirable to own a controlling interest in the Louisville and Nashville Railroad Co. The capital stock of the latter corporation we will suppose to be $50,000,000. By the purchase of $25,001,000 worth of stock in the Louisville and Nashville Railroad Co., the Atlantic Coast Line would secure absolute control of that corporation, thus deciding upon the Board of Directors, the policy of the company, and other matters that may be of vital importance to themselves. Not having the surplus money to invest, the Atlantic Coast Line would raise the sum of $25,001,000 by the sale of that amount of collateral trust bonds, for the securing of which the stock purchased in the Louisville and Nashville Co. would be deposited as security. By this simple device, without the payment of a dollar of its own capital, the Atlantic Coast Line has secured control of a very large railroad; and it is on this principle that the vast consolidation of railroad interests has taken effect in recent years. In these contracts of trust or collateral security a provision is usually made to substitute one security for another in case the maker should desire to change the securities; but such substitution must always be approved by the trustee acting for the bondholders.

303. Equipment Bonds.—In recent years another form of bond, the security for the payment of which is a mortgage on personal property, has become very general in

use, and is known as the equipment bond. We will take as an illustration a new railroad which has recently been built, we will say, from Atlanta, Ga., to Birmingham, Ala. The construction of this road has exhausted all the cash funds of the company; therefore they are not in a position to purchase their equipment of rolling stock. Yet without cars or engines and other railroad equipment the roadbed which they have just constructed at such an enormous cost is valueless. The railroad company, therefore, will go to the manufacturers of locomotives, freight cars, and passenger coaches, purchasing the desired equipment, and instead of paying cash therefor give a mortgage on the supplies thus purchased in payment thereof. The bonds thus issued would be called "Equipment Bonds." Bonds of this character usually run for a comparatively short time, and usually command a high rate of interest. The manufacturer receiving the bonds in payment for the equipment may hold them as a form of investment; but usually he turns them over to a stock and bond brokerage house for sale, thus realizing from the bonds cash which the railroad company was not in a position to pay.

304. Debenture Bonds.—In recent years there has been issued by financial corporations a class of bonds which have become known as "Debenture Bonds." The term is a very general one, and may mean anything or nothing. Usually it is a bond of a financial company, the security for which are bonds and mortgages owned by the company, deposited with the trustee as a basis upon which the debenture bonds are based. Bonds of this character should be very closely scrutinized, as their worth would depend almost entirely upon the class of mortgages deposited with the trustee as collateral. As no list is usually made upon the face of the debenture bonds as to the stocks, bonds, or mortgages that are placed as security for the bond, a close inspection of this form of investment should be made, as obviously an insolvent concern

might issue collateral bonds and give to the trustee as collateral security worthless mortgage loans or bonds in other concerns as collateral security for its own issue. The desirability of Debenture Bonds rests almost entirely upon the character of the financial companies issuing them, and they should be purchased with great caution.

305. Income Bonds.—Another class of bonds, known as an Income Bond, takes its name from the fact that it is a bond, the interest upon which is payable from the surplus net earnings of the company using it. As there can be no net earnings until all the operating expenses, such as taxes, interest, cost of maintenance, and various other expenses, are paid, such bonds are usually not looked upon with favor, because if there is nothing left the company is under no obligation to pay interest for the year unless it is a cumulative income bond. In such a case, should the net earnings of the company be insufficient to pay the interest on the bonds for that particular year, the rate of interest set forth in the body of the bond would be cumulative. While there is no obligation to pay the interest if there are no funds with which to do it, yet the amount contracted to be paid by the company accumulates as a fixed charge, and takes precedence over all dividends on common or preferred stock. An income bond has the payment of principal secured by mortgage, as in other classes of bonds.

306. A Corporation.—As explained in a previous chapter, a corporation is an artificial person, created under the general laws enacted by a State for the purpose or under special statutory laws. Each contributor to the capital fund of the corporation is given a certificate which certifies to the holder's interest in the corporation and is called "stock." The term "share" is sometimes used in place of "stock," rarely in this country and almost universally in England.

307. Stock Certificates.—Stock certificates are usually divided into shares of $100 each, although they may be

made for any amount. Each person who buys or subscribes for stock receives a certificate which certifies to the number of shares he has purchased in the corporation. These stock certificates may be sold, bartered, or transferred, as in the case of other personal property, and may be of several classifications.

308. Common Stock.—The common stock of a corporation is that representing the interest of contributors to the common funds, who are entitled to exercise corporate powers without preference. Henry C. Fricke, we will say for illustration, owns a piece of business property in the city of New Orleans, estimated to be worth $200,000, upon which he wishes to build a modern office building of steel construction, to cost $400,000. Not having sufficient funds of his own for this purpose, he may organize a construction company, which we will call the Crescent City Construction Co., and capitalized at $400,000, $200,000 of which is to be in common stock and $200,000 in six per cent cumulative preferred stock. After the organization of the company, Mr. Fricke would deed to the Crescent City Construction Co. his lot and receive in payment therefor the sum of $200,000 in common stock of the corporation. Other financiers would subscribe to the preferred stock to the value of $200,000. As a nucleus, therefore, for its building operations, the Crescent City Construction Co. would have a lot unincumbered, worth $200,000, and $200,000 raised by the sale of the preferred stock; but as the building is to cost $400,000, it is necessary to secure an additional sum of $200,000. This may be done by the issuing of general mortgage bonds to the value of $200,000. The Construction Company would now have sufficient funds to erect the office building, having already acquired the site therefor. The common stock is a voting stock; therefore Mr. Fricke, while owning only one-third of the total investment of the building, has control of the entire company. The preferred stock, while not participating in

the management of the construction, is yet assured of a six per cent dividend. Neither would the subscribers to the general mortgage bonds have a voice in the management of the company, but they would have an investment bond, the principal and interest of which would be guaranteed.

309. Preferred Stock.—Preferred stock, as has just been seen by the preceding illustration, is given special dividend privileges—that is, preferred stock is entitled to preferred claim against the profits of the company. In the illustration of the construction company the income from the building, after paying operating expenses, would go first toward the payment of the guaranteed rate of interest of the preferred stock. A holder, therefore, of the preferred stock in the Crescent City Construction Co. would receive dividends on it before any dividends would be given to the common stockholders, as in the illustration just given of Mr. Fricke. If the net earnings of the corporation for the fiscal year would be more than sufficient to pay the interest on the preferred stock, then the surplus could be declared as a dividend for the common stock, or all or part of it could be set aside in a surplus fund for the retirement of the bonds as they matured.

310. Trust Certificates.—A trust certificate is one issued by a trustee, and is given in exchange for stock of corporations that may be deposited with the trustee for a common purpose. A few years ago the various properties comprising what is known as the Southern Railway Company pooled their interests. This was done by the stockholders agreeing to appoint a trustee to hold the stock of the various railroad companies, and to exercise all right of control for them for a given term of years. The trustee in this case was the banking firm of J. P. Morgan & Co. This firm received its powers from a written trust agreement, which set forth the conditions under which the stock was deposited, conditions of the trust, and the duration of same. By this agreement there was

formed a voting pool or trust, and the interests in the various roads were voted as if owned by one individual. The conditions of a trust certificate vary in their individual cases, the wording of which depends upon the object sought by such trusts.

311. Miscellaneous Forms of Stock.—In addition to the various classes of stocks and bonds as illustrated in this chapter, there are others, the nature and name of which depend upon the laws of the States under which the corporation has its legal existence. Those given, however, constitute the ones generally in use; and it is advisable, before purchasing any form of security, that the investor should carefully scrutinize not only the nature and kind of mortgage, but the financial standing and resources of the corporation issuing it.

CHAPTER XXVII.

POST OFFICE, RAILROAD, AND EXPRESS BUSINESS.

312. Express Companies.—There are eight principal express companies in the United States—viz.: The Adams Express Company, The American Express Company, The United States Express Company, The Wells-Fargo & Co. Express, The Southern Express Company, The Pacific Express Company, The Northern Pacific Express Company, and The Great Northern Express Company. These companies practically do the entire express business, and in but a small part of the territory do they compete with each other. The Wells-Fargo & Co. Express has its principal office and operates principally in the Southwest and along the Pacific Coast. It also does a large foreign business with the Orient and Eastern countries. The Southern Express Company operates exclusively in the Southern States, and in conjunction with the Adams Express

Company. The Adams Express Company covers the Central and Eastern States, with its principal offices in New York, Philadelphia, and Boston. The Pacific Express Company operates along the Pacific and Southeastern States, with general offices in San Francisco and New Orleans. The American Express Company covers the Central and Eastern States, and has its general offices in St. Louis, Cincinnati, and Boston. The Great Northern and The Northern Express Companies operate in the Pacific Northwest territory. These companies have a mutual arrangement whereby packages may be delivered from one company to another when it is necessary to do so in order to reach their places of destination. Money orders issued by one express company are usually honored by the other companies as a matter of courtesy, but they are under no obligation to do so. In most cases the express companies build and own their own cars, and have exclusive franchise over the different systems of railroads. While the express charges are higher than transportation by freight, the service rendered is much quicker and better.

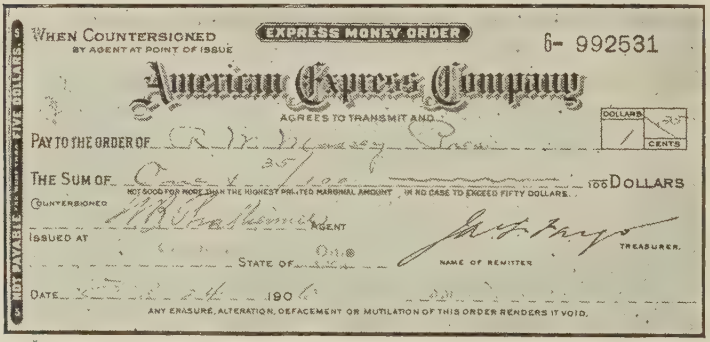
An express company is a corporation which undertakes, for a consideration, the transporting of merchandise, money, and valuables from place to place, and guarantees the safe delivery of same. It is enabled to do business and get exclusive territory in which to operate by making contracts with the railroads covering certain States, for which privilege the express company pays a certain sum. As the express companies transport their consignments rapidly and assume all responsibility for the proper delivery of same, this method of transportation has become very popular and the volume of their business is enormous. In the larger cities the express companies keep delivery wagons and deliver to the consignee's place of business all shipments free of cost for drayage. While the principal business of express companies is that of transporting express packages and valu-

ables, these companies do considerable business in the issuing of money orders, the collection of drafts, the acting as agents for the purchase of goods, the carrying and delivery of mortgages and deeds, and delivering same on receipt of a stipulated sum.

313. Sending Goods by Express.—When packages are to be shipped by express they should be plainly marked with the name and address of the consignee and also the name and address of the shipper. The express agents issue receipts for packages taken in their charge, when they become responsible for the proper delivery of same. If a package should be damaged, delayed, or lost in transit, the express company is responsible for such loss. It is well, therefore, to specify upon the receipt the value of the package. As in all cases of agencies, an express company is responsible for the acts of its agents, or for any losses or damage sustained through the negligence or carelessness of its agents. Perishable articles shipped by express should be so marked that there will be no delay in their transportation. If the package contains glass or articles easily broken, it should be marked "Handle with Care," or "Care," or "Glass," in large letters so as to be easily seen. The express charges are usually fixed, and vary according to the classification of the shipment and the weight and distance to be transported. These charges may be prepaid by the sender or can be collected from the consignee upon delivery.

314. C. O. D. by Express.—A package may be sent by express C. O. D., which means that the express company will collect from the consignee the amount of the invoice together with the express charges on the shipment before the package will be delivered. When shipping by C. O. D. express, two bills or invoices should be made out, one of course to be a duplicate and sent to the consignee, the other invoice to be inclosed in an express C. O. D. envelope. These envelopes are furnished by the express company for this purpose, upon the face of which is writ-

ten full information, such as the name of the shipper and address, the date, the name of the consignee, and the amount of the C. O. D., and whether or not express charges are to be paid by the shipper or consignee. If the consignee is to pay the cost of returning the money to the shipper, this should be so designated on the envelope, "Return Charges," otherwise the expense of returning the money will be deducted before payment is made for the shipment. The bill which the shipper makes out to be



FACSIMILE OF EXPRESS MONEY ORDER.

sent with the goods should be receipted, which the express company will deliver with the goods. The object of sending goods C. O. D. is that the consignor may be sure of getting his money before the goods are delivered. Sometimes the privilege of examining the goods before payment for same is given the consignee, but this privilege is not given unless expressly stipulated by the consignor.

315. Sending Money by Express.—A large part of the business of the express companies is the transmitting of money for banks, trust companies, and individuals. When money is to be sent by express, it should be inclosed in an envelope which is furnished by the express company for this purpose. When the money has been inclosed in the envelope and sealed, and the amount marked upon the

envelope, together with the addresses of the consignor and the consignee, the package is then delivered to the express company, whose agent will seal the same with wax and seals. This prevents the possibility of opening the package without destroying the seals. Each route agent who handles the package must sign for it, and of course if the seals have been broken the route agent would refuse to accept it, thereby discovering that the package had been tampered with. The charges for sending money by express generally depend upon the amount and the distance. Large shippers of money are usually given a low rate by the different express companies. The United States government, for instance, is given an exceedingly low rate of fifteen cents for one thousand dollars currency. The United States government is, though, the largest shipper of currency, and it is no uncommon occurrence for the treasury to make shipments of as much as one million dollars at a time. The banks and trust companies find this method of shipping their money cheaper and more satisfactory than by other methods.

316. Local Parcel Express.—In all the large cities there are private companies who deliver parcels and messages for a small consideration, usually five or ten cents, according to the size of the package or the distance to be covered. In many of the cities the street railways have put on a local express for carrying packages to suburban towns. By the payment of a small sum one can have a package delivered in many instances many miles from the point where it was purchased. An important business in the delivery of all sales for the small stores has developed in many cities. These concerns collect the packages from the stores usually twice daily, and deliver to points within a radius of ten or twenty miles more economically than each store can make its own delivery.

317. Registered Letters and Packages.—A letter or package to be sent through the mails may be registered by affixing ten cents in stamps to the package or letter

in addition to the regular postage. The postmaster receiving the registered package issues a receipt for it, and each clerk who handles it while it is *en route* receipts for

(Form No. 6001.)

No.....

$.....
100

Postmaster will enter the number and amount of order in these two spaces.

Stamp of Issuing Office.

APPLICATION FOR MONEY ORDER.

For the sum of..... Dollars

and..... Cents.

To be paid at.....

State of.....

To be paid to.....

.....

Whose Address is No..... St.

.....

Sent by

.....

(*Signature of Remitter to be written here.*)

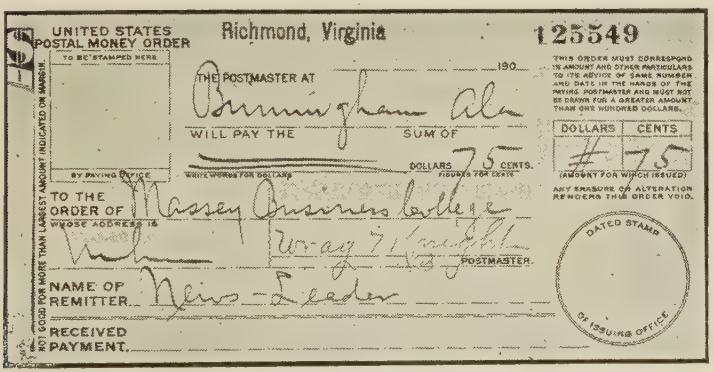
Address of Remitter.....

FORM OF APPLICATION FOR MONEY ORDER.

it. The registration of letters and packages carries a guarantee against loss not exceeding $25.00, subject to

proof of the value of the lost article. The name and address of the sender must be written or printed on the outside of the envelope or wrapper of all registered articles. When the package is delivered, the person receiving it must sign two receipts, one on a card which is returned to the sender, showing to whom the package or letter was delivered, and the other on a slip of paper or in a book, which is retained at the post office. All post offices are registry offices, and money may be sent by registered mail from such offices, though they may not issue money orders. It is never safe to send money or valuables through the mails in the ordinary way, but all such matter should be registered. Money may be sent by draft, express order, or post office money order.

318. Post Office Money Orders.—A post office money order is a draft drawn by one postmaster on another at a distant place. These orders are numbered, and a private



FACSIMILE OF POST OFFICE MONEY ORDER.

letter of advice is sent by the issuing postmaster giving full particulars as to the number, amount, name of the remitter, and the payee. This precaution is taken to prevent fraud, as the order will not be paid until the letter of advice is received by the paying postmaster. All post offices are not money order offices, but letters may be reg-

istered at all post offices. To obtain a post office money order, the sender must fill out an application blank, which he can obtain at any post office that issues money orders. Before a post office money order can be cashed the payee must be identified. However, the sender of a post office money order may waive the necessity of identification by so stating on the back of the application. Post office money orders may be transferred by indorsement, but once only. In this respect they vary from other forms of negotiable papers, which may be indorsed indefinitely. It is customary for banks to accept money orders on deposit from their customers the same as currency.

319. Making Shipments.—When goods are shipped by a railroad company, the consignor fills out two blank forms known as "Shipper's Receipt" and "Shipping Bill." While the railroad company furnishes bills of lading, yet most firms who do much shipping have their own printed shipper's receipt and shipping bill forms, and do not usually use the ordinary bill of lading. The shipper's receipts and shipping bills are usually printed and bound together in the form of a book, and constitute a duplicate record of the goods shipped, the name of the shipper, and the person to whom the goods are shipped, a number and description of the packages. Business men often prefer to make out their own shipping bills and receipts, and this is required in some cases by the railroad companies. The shipper's bill is detached and given to the agent of the railroad company, while the shipper retains the shipper's receipt. The shipper's receipt shows the route over which the goods are to be shipped, the name of the consignee, and the destination, together with the number of packages, description of the articles, and the weights. The shipping bill, which is retained by the receiving clerk of the railroad company, gives the name of the consignor, consignee, and the destination, together with the number of packages, description of the articles, and the weights;

these being checked, of course, at the time the goods are delivered to see that the description given in both tickets is correct.

320. Bills of Lading.—Bills of lading are frequently issued in lieu of shipper's receipts, and as a more extended contract between the shipper and the transportation company. They are used largely as evidence of titles to goods that are in transit. A bill of lading is simply an acknowledgment on the part of the railroad company of the receipt of merchandise for transportation to another city. It is usually made out by the agent of the railroad company, and includes an itemized list of merchandise received, together with the number of packages and weights, and sometimes the rate and amount of freight charges are included in the bill of lading. A bill of lading is required usually when the shipper desires it to forward to the consignee with his invoice, and is evidence of the title to the goods. Bills of lading are usually made out in triplicate, each of the three parties to the shipment—namely, the consignor, consignee, and the railroad company—retaining one. Should the owner of the goods in transit desire to sell them before removing from the freight office, he could do so by indorsing the bill of lading to the purchaser, as it is a negotiable instrument. This indorsement would transfer the ownership in the same manner as the indorsement of a note or draft. Bills of lading, however, frequently have printed across the face "Not Negotiable."

321. Bill of Lading with Draft Attached.—Goods may be shipped by freight, the same as by express, C. O. D.—that is, the consignee must pay for them, together with the transportation charges, before they can be removed from the depot. In the case of shipment by freight, this is usually done by drawing a draft on the purchaser for the value of the goods, consigning the shipment to the order of the consignor, and pinning the draft to the bill of lading and sending both through some bank for collection with instructions to deliver the bill of lading, prop-

erly indorsed, on the payment of the draft. The buyer, by paying the draft at the bank, gets possession of the bill of lading, which he presents to the railroad company and takes possession of the goods.

322. Freight Expense Bills.—Freight charges are not generally paid until the goods reach their destination. When the railroad agent where the goods are delivered to the consignee makes out an expense bill, giving a description of the articles, together with the charges, this expense bill is made out in duplicate, one of which is signed by the consignee at the time the goods are delivered to him to show that the goods have been received, and constitutes a receipt held by the railroad company. The other is signed by the railroad agent, and is delivered to the consignee as a receipt for the money which has been paid for the freight, and the storage charges, if any.

323. Freight Charged to Merchandise.—Freight paid on merchandise is not usually considered as a part of the general expense of the business, and is charged direct by most bookkeepers to the merchandise account. However, some accountants prefer to have a separate freight account, in which case all freight payments are charged direct to this account, and then, at stated periods, the merchandise account is debited and the freight account credited for the aggregate, or the freight account is closed into loss and gain. By keeping a separate freight account information can be obtained as to the total freight charges during any period of time.

324. What to Do When an Invoice of Merchandise Is Received.—Mistakes will occur in spite is every precaution, and the prudent business man will always verify his invoice with the bills received, to avoid any possibility of error. This is done by checking off the items of the invoice, as they are found to be correct, using the check mark for this purpose. Then it is well to verify the prices and extensions, and see if any error has occurred here. If the invoice is found to be correct in every par-

ticular, the letters "O. K." should be written thereupon, together with the initials of the person who has verified the invoice. If the goods were sent C. O. D.—that is, to be paid for when delivered—the invoice should be receipted; but before payment is made it should be verified as above explained.

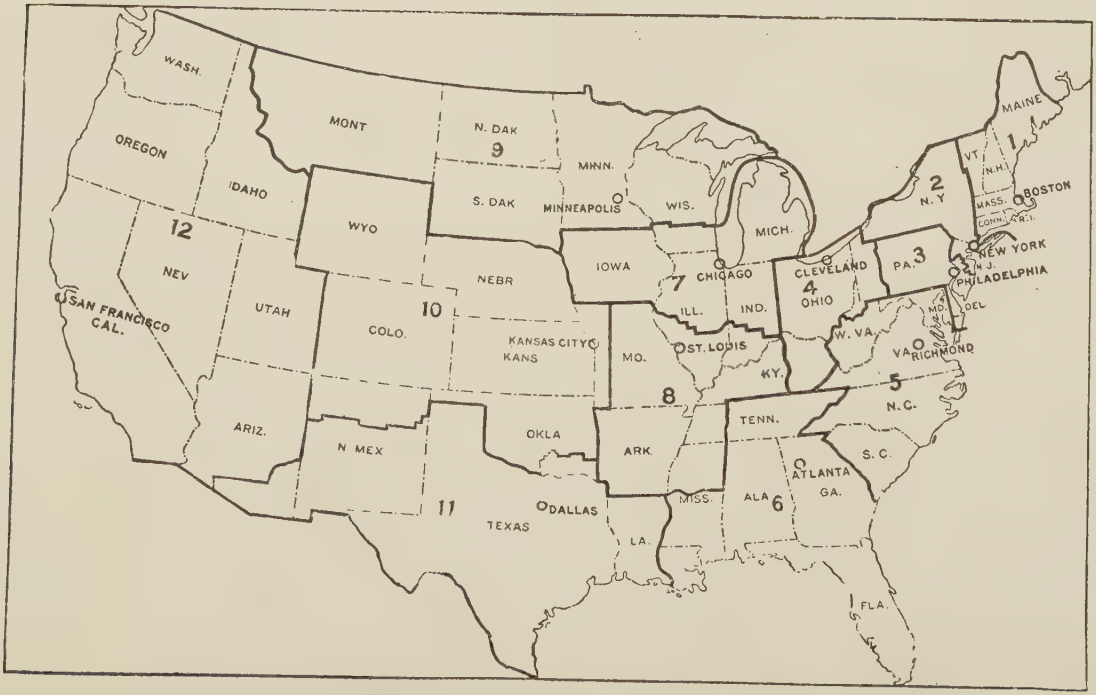
325. Shortages and Overshipments.—It sometimes happens that a shipment of goods does not agree with the invoice as to the quantity or quality supposed to have been shipped. If the number of packages is less than the number called for in the bill of lading, the expense bill will be marked "Shortage," and the railroad company will be held responsible for same. If, however, the number of packages agrees with the bill of lading and expense bill, and the shortage is in the contents of the package, then the attention of the shipper should be called as soon as possible to this fact. Or if the quality of the goods is not that supposed to have been shipped, a claim should be immediately filed with the shipper. The usual method of adjusting claims of this kind is for the seller, upon being notified of the shortage or discrepancy in the quality of the goods, to send the buyer a "Memorandum Credit," calling for such amount as to correct the error. It sometimes happens that more goods are shipped than were ordered, or than the invoice calls for. This is called an overshipment. If the consignee cannot use the goods, he should notify the seller immediately and hold the goods subject to his order, in which case the consignee may be induced to keep the goods by some rebate, or he may be instructed to reship the goods to the seller.

CHAPTER XXVIII.

THE FEDERAL RESERVE SYSTEM.

326. The History.—For fifty years prior to 1913 the national banks of this country had been operated under a general banking law that had become cumbersome and ill-suited to modern business. Revision of the currency system had been under discussion and debate, more or less, by bankers, financiers, and statesmen for the preceding quarter of a century. Finally, on June 26, 1913, a bill proposing radical changes in our banking and currency system was introduced into the Sixty-Second Congress by Representative Glass of Virginia and Senator Gore of Oklahoma, Chairmen of the Banking and Currency Committees, respectively, in the two houses. After much discussion and many changes of detail, the bill was enacted into a law on December 23, 1914.

327. The Aims of the System.—The act provides for "the establishment of Federal reserve banks to furnish an elastic currency, to afford means of rediscounting commercial paper, and to establish a more effective supervision of the banking in the United States." The chief aim of this Act is to provide means whereby all member banks may have ample reserves of cash, either in their own vaults or within easy reach at all times. To accomplish this, the Act provides for not less than eight nor more than twelve Federal reserve banks, which are sometimes called "regional" banks, in cities to be designated by a Reserve Bank Organization Committee, in districts mapped out by the committee. The Organization Committee was composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. The committee made an extensive trip over the country, investigating the claims of thirty-six cities, and then designated the following cities



MAP SHOWING FEDERAL RESERVE DISTRICT, WITH CHANGE BY FEDERAL RESERVE BOARD.

as the seat of the twelve regional banks: No. 1, Boston; No. 2, New York; No. 3, Philadelphia; No. 4, Cleveland; No. 5, Richmond; No. 6, Atlanta; No. 7, Chicago; No. 8, St. Louis; No. 9, Minneapolis; No. 10, Kansas City; No. 11, Dallas; No. 12, San Francisco.

328. Organization.—The Act prescribed that no regional bank should have a less capital than $4,000,000. Each existing national bank had to subscribe to the stock of the regional bank in whose territory it was situated to a sum equal to six per cent of its own stock and surplus, one-half to be paid in gold within nine months, the other half subject to call. Any national bank failing to comply had its charter forfeited by action in any United States Court by the Comptroller of the Currency. Singularly, only sixteen out of 7,600 national banks failed to comply with this requirement, and these were small institutions. State banks and trust companies may also join the Federal reserve system, but they are not compelled to do so.

The governing board of directors in each of the regional banks is composed of nine persons: Three are chosen by the member banks of the district from their own membership; three are chosen by them from business men, not bankers, in their own districts; and three, citizens of the district, not bank stockholders, to be designated by the Federal Reserve Board, one of these to be the chairman of the local board and the Federal reserve agent. He must be a man with practical experience as a banker.

329. Regional Bank Earnings.—The stockholders (the member banks) of the regional banks shall be entitled to dividends not exceeding six per cent. One-half the earnings above the dividends shall be applied to a fund until the same amounts to forty per cent of the capital. All earnings in excess shall be paid to the United States as a franchise tax. Except taxes upon realty holdings, the regional banks shall be exempt from Federal, State, city, and county taxation.

330. Federal Reserve Board.—The management and supervision of the whole system is placed in the hands of a Federal Reserve Board consisting of seven members, two of whom are the Secretary of the Treasury and the Comptroller of the Currency. The other five members are appointed by the President of the United States and confirmed by the Senate. Each member receives a salary of $12,000 per year, plus traveling expenses, and is required to devote his entire time to the business. All salaries and other expenses of the Federal Reserve Board are paid by the regional banks. Of the seven members, at at least two must be men experienced in banking and finance. Of the five appointed members, one is selected as the governor and one the vice governor.

331. The Board's Powers.—The Federal Reserve Board has authority to have the books and accounts of the regional banks examined at any time and as often as necessary; also to authorize, and if necessary require, any regional bank to rediscount the paper of other regional banks and to fix the rate of interest therefor. The Board also regulates the gold reserves held by the regional banks against their issues of Federal reserve notes, establishes a graduated tax on any deficiency of such reserve below forty per cent, controls the issue and retirement of Federal reserve notes, and supervises in a general way all the regional banks.

332. The Advisory Council.—Twelve men, one from each of the twelve regional banks, compose an Advisory Council, which meets periodically in Washington, D. C., generally. The duties of the members consist in conferring with one another and with the Federal Reserve Board and in making oral and written recommendations regarding matters within the jurisdiction of said Board.

333. Powers of Regional Banks.—The regional banks, direct or through regularly established branch banks, may accept deposits of money from their own member banks, from the United States, and from each other, but not from

individuals and firms. They may discount notes, drafts, and bills of exchange growing out of commercial, industrial, or agricultural transactions and indorsed by any member banks in their own districts, maturing within ninety days from the time of discount. Commercial paper founded on stock speculation is not eligible for discount. Any member bank may accept drafts or bills of exchange involving the importation or exportation of goods having not more than six months to run, and any regional bank may rediscount the same when indorsed by the member bank and having not more than three months still to run. Regional banks may trade in such paper with foreign banks, firms, and corporations without the indorsement of their member banks.

They may also deal in gold coin and bullion and in bonds and other obligations of the United States and in notes or bonds of States and cities issued in anticipation of taxes and having not more than six months to run. They may purchase from member banks and sell bills of exchange growing out of business transactions, fix from time to time the rates of discount for each kind of paper and open accounts, and establish agencies in foreign countries. The funds of the United States may be deposited in the regional banks without collateral security, to be paid out by warrants for public disbursements. The Secretary of the Treasury may use the member banks as depositories, or he may keep his funds in his own vaults.

334. Federal Reserve Notes.—At the discretion of the Federal Reserve Board, Federal reserve notes may be issued for circulation to regional banks. Such notes are obligations of the United States, and they are receivable for customs and all public uses. They are redeemable in gold on demand at the Treasury of the United States or in gold or lawful money at any regional bank. Applications for such notes must be accompanied by collateral security consisting of notes and bills accepted for rediscount equal in amount to the loan applied for, and the

bank so applying must maintain a gold reserve of not less than forty per cent against its Federal reserve notes in circulation.

Federal reserve notes shall bear a distinctive letter and serial number which shall be assigned to each Federal reserve bank, showing which bank is liable for the redemption of the particular notes outstanding. Each bank must keep on deposit in the Treasury a sum of gold sufficient, in the judgment of the Secretary of the Treasury, for the redemption of Federal reserve notes issued to it. This shall not be less than five per cent of such notes outstanding, and it must be replenished from time to time.

335. The Collection of Checks.—Every Federal reserve bank shall act as a clearing house by receiving at par, from its member banks, checks and drafts drawn upon other member banks. Member banks, however, may charge their customers the actual cost of collecting and remitting funds or of selling exchange.

336. Retiring the United States Bonds.—With the establishment of the Federal reserve system, the requirement that every national bank should deposit a certain amount of United States bonds in the Treasury before beginning business is repealed. Any member bank having circulating notes outstanding may make application to the Treasurer of the United States to retire its circulation and to sell the two per cent bonds held as security therefor. The Federal Reserve Board may then, if it desires, require the regional banks to purchase the bonds at par and accrued interest, but the aggregate of such purchases shall not exceed altogether $25,000,000 in any one year. The money shall be paid to the member bank after deducting the amount of its circulation outstanding, which circulation shall be redeemed as fast as it comes in. The regional bank buying the bonds may take out circulation of the same kind as the national bank notes, equal to the par value of the bonds, giving the bonds as security. As an alternative, if approved by the Federal

Reserve Board and the Secretary of the Treasury, the regional bank purchasing the two per cent bonds may exchange the same for three per cent bonds without the circulation privilege, to run thirty years, and three per cent notes of the United States payable one year from date, but renewable at the government's option yearly for thirty years (one-half bonds and one-half notes).

337. Cash Reserve.—Every regional bank must keep a reserve of "gold or lawful money" not less than thirty-five per cent against its deposits, and in gold not less than forty per cent against its Federal reserve notes in actual circulation. The legal reserves of the member banks are somewhat different from those of the existing national banks. The new law takes account of time deposits payable after thirty days' notice. Against such deposits a cash reserve of only five per cent is required. Against demand deposits in country banks twelve per cent is required instead of fifteen; against such deposits in reserve cities fifteen per cent is required instead of twenty-five; and in central reserve cities eighteen per cent is required instead of twenty-five. A certain proportion of the reserves of each member bank must be kept in the Federal reserve bank of its district, the details of which, varying as to both times and places, will be found in Section 19 of the Act.

338. Foreign Branches.—Section 25 of the Federal Reserve Act gives permission to any national bank having a capital and surplus of $1,000,000 or more to establish branch banks in foreign countries upon such conditions and under such regulations as may be prescribed by the Federal Reserve Board for the furtherance of the foreign commerce of this country, and to act, if required to do so, as fiscal agents of the United States.

339. Farm Loans.—Any national banking association not situated in a central reserve city may make loans on improved and unencumbered farm lands, to run not longer than five years and not exceeding fifty per cent of the

actual value of the security; but no bank shall make such loans to an aggregate amount exceeding twenty-five per cent of its capital or one-third of its time deposits.

340. National Banks Accept Change.—The practical unanimity of the national banks in accepting the new Federal Reserve Act clearly indicated that the time was ripe for a revision of the banking and currency laws. All but a few small institutions readily subscribed to the new system, and the twelve regional banks were duly organized. The aggregate capital of the twelve Federal reserve banks was somewhat above $100,000,000, which gave the new system a splendid start, notwithstanding the disturbed condition of business in 1914 on account of the European war.

341. The Result and Outlook.—Although the Federal Reserve System has not yet been in operation sufficiently long to form definite conclusions, yet it bids fair to accomplish the worthy purposes ascribed to it by the framers of the Act. It is noteworthy that a system of such immense proportions and importance in our economic and industrial life has had no opposition from any source. The satisfactory results of the operation of the system during the first few years indicate a new era in the commercial and banking life of this country. The system will undoubtedly prevent the recurring panics and industrial depressions and the subsequent necessity of issuing artificial forms of money; it will make business in general and banking in particular more stable; it will establish a more equitable system of clearing and collecting of checks; it will provide a sounder method of maintaining specie reserves and the issuing of currency notes; and it will also aid, through national banks and their branches, the building up and maintenance of a large foreign trade in keeping with the mighty strides of this great world power, the United States of America.

Digest of the Federal Reserve Act.*

342. Purposes of the Act.—To furnish an elastic currency.

To afford means of rediscounting commercial paper.

To establish a more effective supervision of banking in the United States.

343. Basis of the Act.—A division of the continental United States, exclusive of Alaska, into not less than eight nor more than twelve reserve districts, following trade drifts and tendencies rather than State lines to be distinguished from one another by number; and the selection in each district of a city for the location of a Federal reserve bank.

344. Federal Reserve Banks.—In each Federal Reserve District there is to be one Federal Reserve Bank located in the Federal reserve city of that district. The banks will be distinguished by the names of the Federal reserve cities, which shall be a part of the official title. As an illustration: "The Federal Reserve Bank of Chicago."

345. Membership and Stock Ownership.—A. Every national bank in the continental United States, except Alaska, must be a member.

(1) Refusal to join or to conform to the provisions of the Act will occasion the forfeiture of the charter of such banks upon action instituted by the Comptroller in a competent court of the United States.

B. Any eligible bank in the United States, or trust company in the District of Columbia, upon equal privileges with national banks.

(1) By conversion into a national bank.

(2) By retaining State charters, but meeting the requirements imposed upon national banks by the National Banking Act in the following features:

*Reprinted here by the courteous permission of the National Association of Credit Men, 41 Park Row, New York.

Capital and reserve.

Limit of liability for single borrower.

Lending on or purchasing own stock.

Impairment of capital.

Payment of unearned dividends.

Report of conditions.

Liability of directors.

Complying with regulations of the Federal Reserve Board.

C. The public.

If the subscriptions of member banks fail to supply the minimum capital required upon conditions and limitations defined by the Act, the public may subscribe.

D. The United States.

Should the subscriptions of member banks and the public fail to supply the minimum capital requirement, the United States shall subscribe.

346. **Capital and Shares.**—The subscribed capital of each Federal Reserve Bank must be not less than $4,000,000.

Each member bank must subscribe to the stock of the Federal reserve bank of which it is a member in an amount equal to six per cent of its paid up capital and surplus.

To be paid as follows:

One-sixth payable on call of Organization Committee.

One-sixth within three months thereafter.

One-sixth in six months.

One-half payable on call of Federal Reserve Board and if required.

Payments of subscriptions to the stock of Federal reserve banks must be in gold or gold certificates.

Any individual, corporation, or partnership, if permitted to subscribe, under the provisions of the Act, to the stock of a Federal reserve bank, cannot do so in an amount exceeding $25,000.

The capital stock of each Federal reserve bank is divided into shares of $100 each.

Shares owned by member banks cannot be transferred or hypothecated except as regulated by the Act.

Shares owned by the public or the United States are transferable under certain regulations.

Shares owned by member banks have voting power.

Shares owned by the public or the United States have not voting power.

The capital stock of Federal reserve banks will be increased as new member banks are added or the capital of member banks is increased; or decreased as member banks retire, the capital of member banks is decreased, or member banks are liquidated.

347. Control and Supervision.—Each of the Federal reserve banks shall be conducted under the supervision and control of a Board of Directors.

Such Board shall perform the duties usually appertaining to the office of directors of banking associations and all duties prescribed by the law impartially and without discrimination in favor of any member bank and subject in many features of their control to the orders of the Federal Reserve Board.

The Board of each Federal reserve bank shall consist of nine members, divided into three classes of three members each, designated as classes "A," "B," and "C."

Class "A" Directors shall be chosen by and represent the member banks; none shall be a member of Congress.

Class "B" Directors shall be chosen by the member banks, and at the time of election shall be actively engaged in commerce, agriculture, or other industrial pursuit in their districts; none shall be a member of Congress, an officer, director, or employee of any other bank.

Class "C" Directors shall be appointed by the Federal Reserve Board and must have been, for two years at least, residents of the district for which they are ap-

pointed; none shall be a member of Congress or an officer, director, employee, or shareholder of any other bank.

Officers: Two of the Class "C" Directors must be of tested banking experience, one of whom shall be designated by the Federal Reserve Board as Chairman of the Board of Directors and Federal Reserve Agent, and the second as Deputy Chairman and Deputy Federal Reserve Agent.

348. **Election of Directors.**—Classes "A" and "B." The member banks are to be divided into three groups, each group to consist as nearly as may be of one-third of the aggregate number of member banks of similar capitalization.

An elector is chosen by the directors of each member bank and choice made in each class by the ballots of these electors.

Each group will therefore have a representative in Class "A" and a choice in Class "B."

349. **Federal Reserve Board.**—Consisting of seven members, five appointed by the President of the United States with the advice and consent of the Senate, and the Secretary of the Treasury and the Comptroller of the currency.

Of the five appointed members, not more than one shall be a resident of any one of the Federal Reserve Districts, and, except the first appointees, for which special provision is made by the Act, are to serve for a term of ten years.

The five appointed members are to give their entire time to the business of the Board and to receive a salary of $12,000 per annum and actual and necessary traveling expenses.

The Comptroller of the Currency is to receive, in addition to his salary as Comptroller, $7,000 annually for services as a member of the Board.

No member of the Federal Reserve Board may be an officer, director, employee, or shareholder in any banking institution or trust company, nor during his term of of-

fice or for two years thereafter be eligible for any office or employment in a member bank.

The Secretary of the Treasury shall be *ex officio* Chairman of the Board; two of the appointed members must be of tested banking experience, one of whom shall be designated Governor and the other Vice Governor of the Federal Reserve Board.

350. Powers and Duties of the Federal Reserve Board. —To readjust districts created by the Organization Committee and create new ones.

To regulate the establishment of branches of Federal reserve banks.

To designate three (Class "C") of the nine members of the Board of Directors of each Federal reserve bank, one of these to be Chairman of the Board, with the title of "Federal Reserve Agent."

The Federal Reserve Agent to maintain a local office of the Federal Reserve Board on the premises of the Federal Reserve Bank. He shall make regular reports to the Federal Reserve Board and be its official representative.

To remove any director of Class "B" (business men) if it should appear that he does not fairly represent the commercial, agricultural, or industrial interests of his district.

To remove officers of Federal reserve banks with due notice.

To establish rules governing applications from State banks and trust companies.

To levy a semiannual assessment upon the Federal reserve banks for estimated expenses for the succeeding six months, together with deficit carried forward.

To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and to require such statements and reports as it may deem necessary.

To require, or on application to permit, a Federal reserve bank to rediscount the paper of any other Federal reserve bank.

To suspend for a period not exceeding thirty days (and to renew such suspension for periods not to exceed fifteen days) any and every reserve requirement specified in the Act.

To supervise and regulate the issue and retirement of notes by Federal reserve banks.

To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in Section 19 of the Act, or to reclassify existing reserve or central cities and to designate the banks therein situated as country banks, at its discretion.

To require the removal of officials of Federal reserve banks for incompetency, dereliction of duty, fraud, or deceit.

To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

To suspend the further operations of any Federal reserve bank and appoint a receiver therefor.

To perform the duties, functions, or services specified or implied in the Act.

To determine or define (subject to stipulation) the character of paper eligible for discount for member banks.

To prescribe regulations for purchase and sale by Federal reserve banks of bankers' bills, etc.

To review and determine the rate of discount established by Federal reserve banks.

To authorize establishment of branches of Federal reserve banks in foreign countries.

To establish rates of interest on notes issued.

To prescribe regulations for substitution of collateral.

To make and promulgate regulations governing the transfer of funds at par among Federal reserve banks.

To act, if desired, as a clearing house for Federal reserve banks.

To require, in its discretion, Federal reserve banks to act as clearing houses for shareholding banks.

To require extra examinations of member banks when deemed necessary.

To determine and report annually to Congress fixed salaries of all bank examiners.

To arrange for special or periodical examinations of member banks for account of Federal reserve banks.

To assess upon banks in proportion to assets or resources the expenses of special examinations.

To receive from Federal reserve banks information concerning the condition of any national bank in the district.

To receive applications from national banks having $1,000,000 or more capital for the establishment of branches in foreign countries, or reject or accept such applications, and to prescribe conditions under which such branches may be opened.

To require examinations of foreign branches as it may deem best.

351. Advisory Council.—Composed of as many members as there are Federal Reserve Districts, each district to have one representative upon the Council.

The directors of each Federal reserve bank elect its representative upon the Advisory Council, who is to receive a salary fixed by the Board electing him, subject to the approval of the Federal Reserve Board.

Shall elect its own officers and transact business by quorum—that is, a majority.

Will meet in Washington, D. C., at least four times a year and may meet elsewhere.

352. Advisory Council Functions.—To confer with the Federal Reserve Board on general business conditions, to call for information, to make recommendations in regard to discount rates and rediscount business, note issues, reserve conditions, purchase and sale of gold or securities

by Federal reserve banks, open market operations, and the general affairs of the system, and to make verbal or written representations concerning matters within the jurisdiction of the Federal Reserve Board.

353. Functions and Operations of Federal Reserve Banks —Depositories.—Any Federal reserve bank may receive deposits from its member banks, the United States, or from other Federal reserve banks solely for exchange purposes.

Federal reserve banks may receive from member banks deposits of lawful money, bank notes, Federal reserve notes, checks, and sight drafts against solvent member banks in their own or other reserve districts.

Or may receive from Federal reserve banks deposits of lawful money, bank notes, checks, and drafts against member banks or against other Federal reserve banks.

The general funds of the United States Treasury may, at the discretion of the Secretary of the Treasury, be deposited in the Federal reserve banks, except the redemption funds held against outstanding bank notes and Federal reserve notes.

The Federal reserve banks, when requested, shall act as the fiscal agents of the United States, receiving deposits and paying checks drawn against such deposits.

The Secretary of the Treasury may still use member banks as depositories, but not nonmember banks.

354. Discounting Powers.—The Federal reserve banks may discount for member banks upon indorsement and waiver of demand notice and protest notes, drafts, and bills of exchange arising out of commercial, agricultural, or industrial transactions, the proceeds of which have been or are to be used for such purposes.

Commercial paper to be eligible under this section of the Act must be a self-liquidating character—that is, must mature not longer than ninety days from time of discount, except when the paper is drawn or issued for agricultural purposes or based on live stock, in which cases

it may have a maturity not to exceed six months from time of discount.

The amount of six months' paper eligible for discount by any Federal reserve bank shall be limited to a percentage of the capital of the discounting bank as may be fixed by the Federal Reserve Board.

Paper arising from trading in stocks, bonds, and investment securities is not eligible for discount except when drawn for the purpose of trading in the bonds and notes of the government.

Paper having the indorsement of nonmember banks may not be rediscounted by a Federal reserve bank except with the permission of the Federal Reserve Board.

The aggregate of eligible paper bearing the signature or indorsement of any one person, firm, or corporation, rediscounted for any one member bank, shall at no time exceed ten per cent of the unimpaired capital and surplus of such bank, except in the case of bills of exchange drawn in good faith against actually existing values.

Acceptances based on the importation and exportation of goods and which have a maturity of not longer than three months may be discounted by Federal reserve banks, but the amount of such discounted acceptances shall at no time exceed one-half of the paid-up capital stock and surplus of the member bank for which the discount is made.

A member bank may accept drafts and bills of exchange drawn upon it in transactions involving the import and export of merchandise and to an amount not to exceed at any time more than one-half of its paid-up capital and surplus and having not more than six months' sight to run.

These provisions of the Act shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

355. Open-Market Operations.—Solely under rules and regulations prescribed by the Federal Reserve Board, Fed-

eral reserve banks may purchase and sell, at home or abroad, from and to banks, corporations, firms, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities made eligible for rediscount by the Act, with or without the indorsement of a member bank.

Federal reserve banks may buy and sell, at home and abroad, bonds and notes of the United States, bills, notes, and revenue warrants of States, counties, and municipalities of a maturity not exceeding six months from time of purchase.

They may deal in gold bullion at home and abroad, make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable securities.

They may purchase from member banks and sell, with or without their indorsement, bills of exchange arising out of commercial transactions as defined by the Act.

They may establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged for each class of paper, fixed with a view to accommodating commerce and business.

They may establish accounts with other Federal reserve banks for exchange purposes with the consent of the Federal Reserve Board.

They may open and maintain banking accounts in foreign countries and establish agencies in such countries for the purpose of purchasing, collecting, and selling bills of exchange and buy and sell, with or without its indorsement, through such correspondent or agencies, bills of exchange arising out of commercial transactions which have not more than ninety days to run and bear the signature of two or more responsible parties.

356. Federal Reserve Notes.—Are authorized and may be issued by the Federal Reserve Board for the purpose of making advances to Federal reserve banks.

These notes are the obligation of the United States and redeemable in gold on demand at the Treasury of the United States and in gold or lawful money at any of the Federal reserve banks.

They are receivable by member and Federal reserve banks for all taxes, customs, and public dues.

They are to be issued through the Federal Reserve Agent to the Federal reserve bank, which is the custodian of the collateral against which they are issued.

The collateral is notes, bills of exchange, and acceptances discounted by a Federal reserve bank.

A reserve against Federal note issues is required of Federal reserve banks of forty per cent, in gold, of which five per cent is to be deposited with the Secretary of the Treasury of the United States as a redemption fund against such notes as may be presented to the Treasury for redemption. A reserve against deposits is required of each Federal reserve bank of thirty-five per cent in gold or lawful money.

To insure the quick retirement and elasticity of the notes, it is provided by the Act that the number of the Federal reserve banks issuing them will be placed upon the notes, and when redeemed at the Treasury of the United States or at some other Federal reserve bank than the one issuing them they are to be sent to the issuing bank for redemption or credit and cannot be reissued by any other Federal reserve bank.

A penalty of a tax of ten per cent upon the face value of the notes will be incurred by any Federal reserve bank which reissues other than its own Federal reserve notes.

The Federal Reserve Board may at any time call upon the Federal reserve bank for additional security to protect Federal reserve notes issued to it.

Federal reserve notes are to be in denominations of $5, $10, $20, $50, and $100, as may be required to supply the Federal reserve banks.

Federal reserve banks may redeem their liability for

notes and change collateral for same through the Federal Reserve Agent, subject to regulations prescribed by the Federal Reserve Board. The Agent must report daily to the Federal Reserve Board issuance or withdrawal of Federal reserve notes.

Federal reserve notes are to be printed under the direction and control of the Comptroller of the Currency and the Secretary of the Treasury, and, when printed, deposited in the Treasury or other depositories provided by the Act, and to be used as drawn upon for circulation.

357. Clearance Operations.—Federal reserve banks shall receive on deposit at par, from member banks and other Federal reserve banks, checks and drafts upon any of its depositories, and

When remitted by a Federal reserve bank, checks and drafts drawn by the depositors in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank.

Member banks may charge for actual expenses in collecting and remitting funds and for exchange sold to depositors.

The Federal Reserve Board shall fix the charge that may be made by member banks for clearing through Federal reserve banks and for the clearing and collection service rendered by all Federal reserve banks.

Funds shall be transferred between Federal reserve banks and charges made for same under regulations promulgated by the Federal Reserve Board.

The Federal Reserve Board may act as a clearing house for Federal reserve banks or may require a Federal reserve bank to exercise such functions and may also require each bank to exercise the function of a clearing house for its member banks.

358. Branch Offices.—Each Federal reserve bank shall establish branch banks in its district or in the district of a Federal reserve bank that may have been suspended.

The branch offices are to be operated under the control of seven directors, four of whom are to be designated by the Federal reserve bank and three by the Federal Reserve Board.

The directors of the branch offices shall possess the same qualifications as directors of the Federal reserve banks, and one is to be designated as manager by the Federal reserve bank.

The directors of branch offices are to hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board, and their operations and control shall be under rules and regulations approved by the Federal Reserve Board.

359. Division of Earnings.—Shareholders in Federal reserve banks are to receive six per cent annual dividend on paid-up stock from the earnings, which dividend is to be cumulative.

After the payment of this dividend, what remains of the net earnings shall be divided equally between the United States and a surplus fund until this fund shall have amounted to forty per cent of the paid-in capital stock, and when this occurs all of the net earnings above the dividend rate of six per cent will go to the United States.

The portion derived by the United States from this division of the net earnings shall be used at the discretion of the Secretary of the Treasury to supplement the gold reserve held against outstanding United States notes or for a reduction of the outstanding bonded indebtedness of the United States.

In the event of the dissolution of a Federal reserve bank or its liquidation, after the payment of all debts and dividend requirements of the capital stock, any surplus shall become the property of the United States and be applied according to the provisions of the Act.

Federal reserve banks, including the capital stock and surplus therein and the income derived therefrom, shall

be exempt from Federal, State, and local taxation, except taxes upon real estate.

360. Refunding Bonds to Secure Bank Circulation.—Any member bank after two years from the passage of this Act, and not later than twenty years, may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

The Federal Reserve Board is to be notified quarterly of such applications and may require Federal reserve banks to buy such bonds by allotment, but in an amount not to exceed $25,000,000 of such bonds in any one year.

When purchased the Federal reserve banks may take out circulation equal to the par value of the bonds so purchased.

Bonds acquired by Federal reserve banks against which there is no circulation may, upon application to the Federal reserve bank, approved by the Federal Reserve Board, exchange them, not to exceed five per cent in any one year, for one-year three-per-cent gold notes without circulation privilege, which notes may be renewed by the Secretary of the Treasury each year for a period of thirty years.

361. Bank Reserves.—A member bank not in a reserve or central reserve city shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults, for a period of thirty-six months after the establishment of a Federal reserve bank in its district, five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after the same date two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after same date the

balance of the reserves may be held in its own vaults or in the Federal reserve bank or in national banks in reserve or central reserve cities as now defined by law

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

362. Banks in Reserve Cities.—A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults, for a period of thirty-six months after date, referred to above, six-twelfths thereof and permanently thereafter five-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after the date aforesaid, at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults or in the Federal reserve bank or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

363. Banks in Central Reserve Cities.—A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank seven-eighteenths.

The balance of said reserves shall be held in its own vaults or in the Federal reserve bank at its option.

Any Federal reserve bank amy receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper, as described in Section 14 (previously cited), properly indorsed and acceptable to the said reserve bank.

364. Examinations.—Each member bank is to be examined at least twice each year by appointees of the Comptroller of the Currency.

State bank members may be examined by the State authorities upon approval of the Federal Reserve Agent or Federal Reserve Board.

Federal reserve banks shall furnish information when required by the Federal Reserve Board upon member banks.

Federal reserve banks are to be examined at least once each year by the Federal Reserve Board, and may be especially examined.

Examiners are not to receive gratuities from member banks or to disclose information derived in their examinations, except as provided by the Act, under penalty.

365. Liabilities of Shareholders.—Shareholders in Federal reserve banks are individually responsible for the contracts, debts, and engagements of the bank in an amount equal to the par value of their shareholdings.

366. Foreign Branches.—Any member bank with a capital and surplus of at least $1,000,000 may, upon conditions prescribed by the Federal Reserve Board and with its permission, establish branches in foreign countries or dependencies of the United States for the furtherance of the commerce of the United States or to act as the fiscal agent of the United States in such countries.

367. Farm Land Loans.—Any member bank other than in the central reserve city may loan on improved and unen-

cumbered real estate in its district for a period not to exceed five years and in an amount not to exceed one-half of the actual value of the land. The aggregate of such loans must not exceed one-quarter of the capital and surplus or one-third of the time deposits of such loaning bank.

The Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans upon real estate in the manner and upon the conditions prescribed.

APPENDIX.

HINTS AND HELPS TO YOUNG BUSINESS MEN.

Architect of Your Own Fortune.—Remember, just now as you are about to start out in business life, that you are the architect of your own fortune. Do not depend upon others to make your life a success, but rely upon your own strength of mind and body. The Almighty never intended that you should be fed and clothed at the expense of others. Be as Shakespeare's shepherd: "I am a true laborer; I earn what I consume." If you begin life poor, you begin it as nearly all the great and successful men of the world have begun it; but on the other hand, to begin life rich or depending on some one else means to accept the devil's blessing. Think of the hardships through which Christopher Columbus passed, but think also of the success which crowned his efforts. Think of Washington, the poor Virginia boy, who, through persistent labor and an indomitable will, succeeded in freeing our country from the English government, and thereby establishing this glorious land of the free, which has in the space of one hundred and twenty-nine years become the mightiest of all nations. General Grant, when a boy, was poor and without influential friends, and, as history tells us, was not very apt in his studies; but hard and persistent labor, and the same kind of determination that has accomplished the success of all great men, were his attributes of success. Then again, let us think of the boy who first began business life at the age of sixteen by contracting to chop one hundred cords of wood for $25, who afterwards became a mule driver on a canal, a student at college, a teacher in the public schools, a graduate of Williams College, a college president, representative to the State Legislature, a member of the House of Representatives, who was elected to the United States Senate, but resigned it to accept the Presidency of the United States,

and at last filled a martyr's grave, the name of whom is so familiar to all of you that it needs no mention here.

Good health and a clear conscience are always essential to great and successful efforts; to be a spendthrift of either will prove a certain failure. Competition among business men to-day has become so strong in the race for fame and wealth that you must be strong physically, mentally, and morally, in order to compete with your competitors. Remember that people can no longer be blinded. Ten cents will not pass for a dollar. False dignity has no place among intelligent people; to be truly great you must be truly worthy.

Do not mistake your calling. To no other cause in life can failure be more frequently traced than to a mistaken calling. It is none too easy to make a success of life at the business for which you have a love and desire. It is far more difficult to succeed where you must first urge yourself and then do the work. First find out in which direction your talents and inclinations lead you; and when once you decide, throw into it all the energy in your power, and in whatever occupation you engage strive to surpass. I would rather see a good wood chopper than a poor bookkeeper. Remember that there is always plenty of room on the upper shelf; sixty-words-per-minute stenographers and six-hour-per-day bookkeepers are not in demand, but persons properly qualified and who are willing to work can easily find remunerative employment.

Accept work as the object of your life. My greatest happiness comes from having all that I can do. Hard work will not kill any one, but worry may. Don't take sides in favor of the eight-hour-a-day policy; it means failure. Cultivate a capacity for systematizing your work; remember that system and promptness multiply your time and power. Keep an eye on expenses; remember that cents make dollars, and dollars either make or ruin the millionaire.

Start by learning a few useful studies well, centering

your attention on those which relate directly to the business or profession you intend to follow. If you intend becoming an expert penman, don't spend much time at bookkeeping at first; if you intend becoming a musician, don't devote much time to literary studies until you have become expert in your chosen profession. If you intend becoming a business man, confine your thoughts as much as possible to the business in which you intend to engage until you have learned it thoroughly. Learn all that you can of the character of men; remember that one of the greatest secrets of success is to learn to judge human nature. Select some specialty for your life's work; and when once you have decided, throw into it all the energy in your power. Remember that stick-to-it-ive-ness and an invincible determination will insure you wealth and a high position. Don't scatter your energies; for instance, if you have a dry goods store, a drug store, a machine shop, and several other kinds of business, you can well decide that all will be a failure. One kind of business properly conducted on a magnificent scale is worth a dozen improperly conducted. Keep in mind the fact that a shower of hail will not harm a single building, but if concentrated in one ball it would crush a mighty city. Let your motto be Industry, Honesty, and Economy, and inscribe on your banner these words: "What man can do, I can do." Don't put any faith in luck. There are but few people who are lucky, and among those who receive a fortune without earning it few make good use of it. Cultivate pluck—pluck to think, plan, and originate, to take risks, to push, toil, and win—and success will crown your efforts.

Don't take much advice; keep at the head and manage your own business in your own way. Better make mistakes occasionally than to not manage for yourself. Keep your own counsel; be the supreme head of your own business and command your private affairs with as much discipline as a general would his army. Beware of employees who are too smart. Never hire a man until you

have good evidence of his morality and integrity, and always use employees with courtesy. Remember that you may some day be an employee yourself. Always give your orders to a subordinate kindly but firmly. Never take back discharged servants. In nine cases out of ten they will work to your disadvantage; and although the law is strict and just, there is, and can be, no law to prohibit men from doing certain mean things.

Don't practice too much humility. There are no timid things in great affairs. If you would succeed, you must go to the front. Push hard, and be careful that it is in the right direction. Think well of yourself (the man who has no confidence in himself rarely succeeds), but on the other hand avoid conceit and bigotry; remember that you often talk with people who are wiser than you give them credit for being. Don't feel or appear small or ignoble. Aspire to great and noble efforts; remember it is harder and costs more to run a train of cars than it does to run a hand cart, but it also pays better. Fire above the mark you intend to hit; if you don't, your purpose will come beneath your calculations. Ever keep in mind the fact that the great difference between men, between the feeble and the powerful, the great and the insignificant, is energy, ambition, and an invincible determination.

Don't do too much complaining. Take things as you find them. If it should rain when you want pleasant weather, remember that somebody else is wanting rain. What pleases you wouldn't please somebody else, and all cannot be pleased at the same time. Don't fret, despair, or waste time in regrets over losses or rough usage. It is the shaking and jolting of life that brings great men to the surface.

Don't find too much fault with other people. "Pull the mote out of thine own eye, that thou canst see to pull it out of thy brother's eye." If your fellow-man makes a mistake, don't criticise it; remember it is better to make an attempt and a failure than not to make an attempt.

There is a certain class of people who never try to do anything; and if any one else tries, they are sure to ridicule them. For such people there is no fit place in this world.

If you fail in business, it need not be a serious affair, unless you make it so by your own weakness. To a man who has the pluck, a failure is often like a fire in a great city; it seems serious at first, but when the magnificent new blocks are built it proves a blessing in the end. Remember that there are more people who can safely withstand adversity than there are who can withstand prosperity. It was once said: "Prosperity builds a man, but adversity braces him." Don't depend on an expensive place of business or a desirable location to give you success. A brownstone front on Euclid Avenue is nothing, the man, everything.

Read the papers. They are the great practical educators of the people. Make free use of them to advertise your business. Keep yourself posted on the national news as well as your home news. Advertise extensively, but do it judiciously; otherwise a great amount of money can be spent with but little returns. Judicious advertising is one of the strongest levers in the mill of success. Seize opportunities when they can be had. Not only strike while the iron is hot, but make it hotter by striking. A good opportunity to make money fast seldom comes more than once in a lifetime. The successful man is he who realizes the opportunity and acts with promptness.

To succeed as a salesman, cultivate a memory for faces and names. Remember that selling depends very largely upon common sense. The successful salesman knows when to talk, what to talk about, and more especially when to stop talking. To say the right thing at the right time is not nearly so difficult as to say nothing at the right time. The faculty of holding trade or of selling repeatedly to the same people is the highest attribute in the qualifications of a successful salesman. Understand thoroughly what you are trying to sell. Know your goods, believe

in them yourself, and you are sure to inspire confidence in the buyer. If a salesman cannot bring himself to believe in himself, his house, and his goods, he is either very badly placed or he has mistaken his calling. A conceited, pretentious, and affected manner disgusts and repels, while a person whose bearing is simple and natural attracts and makes friends. Remember that he who puts another in the attitude of being a teacher to him pays him a delicate compliment which is generally appreciated. A good salesman seldom asks a man if he wants to buy goods; he doesn't come at him that way. The man who smilingly assents to everything the salesman says does not intend to buy; he is framing an excuse for himself. The eye is the chief medium through which a man fires off whatever personal magnetism he possesses. One who really feels good will may often infuse it into the heart of another by looking kindly and pleasantly straight into his eyes. There is an old maxim: "When you buy, keep one eye on the goods, the other on the seller; when you sell, keep both eyes on the buyer." The best salesmen of the future will not be illiterate. Education informs the mind, trains the thinking powers, and stamps the face with intelligence. Activity is not necessarily energy or industry. A Westerner says that it does not matter what kind of tracks you leave so long as you get there. This is certainly not true when applied to salesmen. There are cold, bilious, disgruntled people, who can no more be opened out by politeness than oysters. Such can only be reached through their self-interest. The well-dressed man has more self-respect, and commands more than the man in seedy attire. You will sell more goods in five minutes on a bright, busy day, when the store is full of customers, than in an hour on a rainy day, when everything is dull and the merchant gloomy. Faithfulness and trustworthiness are more valuable than intelligence, for they are very much harder to find and can't be bought. You can't frighten common sense into anybody, or bulldoze trust-

worthiness out of him. Your associates should be pure and good, and your personal habits correct. You must be governed by sound principles of morality and religion, without which no true success can be attained.

How to get a situation. The first thing necessary is that you should be qualified to hold a position. Don't waste your time theorizing. If you are not competent to do well what you undertake to do, getting a position will do you no good, for the reason that you will not retain it very long—and it does not take a business man very long to estimate very clearly the worth of an employee to him. A well-known humorist puts the matter succinctly in the following form: "Mr. Vanderbilt pays his cook ten thousand dollars a year, my boy, which is a great deal more than you or I earn—or at least it is a great deal more than we get—because he can cook. That is all. Presumably because he can cook better than any other man in America. If Monsieur Sauseagravi could cook tolerably well, and shoot a little, and speak three languages, and keep books fairly, and sing some, and understand gardening pretty well, and could preach a fair sort of sermon, and knew something about horses, and could telegraph a little, and could do light porter's work, and could read proof tolerably well, and could do plain house and sign painting, and could help on a threshing machine, and knew enough law to practice in justices' courts of Kickapoo township, and had once run for the legislature, and knew how to weigh hay, he wouldn't get ten thousand dollars a year for it. He gets that just because he knows how to cook; it wouldn't make a cent's difference in his salary if he thought the world was flat and went round its orbit on wheels. There's nothing like knowing your business clear through, my boy, from withers to hock, whether you know anything else or not. What's the good of knowing everything?" Don't expect soft places and be eternally waiting for good luck. The young man who is willing to take hard knocks and push upward, and to

watch for and seize the opportunities as they present themselves, is the one who will always succeed. On the contrary, the young man who is always looking for soft places usually is made of that material which means failure. Some young people seem to regard it as a misfortune that their position in life is such that it is necessary for them to work. As a matter of fact, life would be wretched and uninteresting did we not have some work to stimulate us. It is far better to be a worker, no matter in what sphere of life you may be placed, than to be a drone on society.

Whatever you do, don't whine—

Your grumbler never gets on. Nature in a sarcastic mood seems to have ordained that the persistent whiner shall want for everything except something to whine about.

Disappointment sardonically meets him at every turn. Misfortune ever lurks in his shadow.

The whine is a signal call to a thousand and one little demons of distress and disaster which mock and lash, hinder and dishearten.

Psychology has pretty well established the theory that ghosts are creations of the subjective mind—and trouble-finding is very much like ghost-seeing. You see blurs and blotches which, if properly traced, will be found to begin and end their actual existence in your own eye or stomach or liver.

There is nothing else you can look for with so much certainty of finding it as trouble.

But have you never noticed that most of your troubles are of to-morrow, that few of them are really present to-day, that there are hardly any worth mentioning in all your past?

If anticipation did not go more than halfway to meet troubles, most of them might miss their way and never get near you.

He who whines does himself injury such as his meanest

enemy could not do to him if he would. He warps his own mind, he weakens his own arm, he enervates his own strength, he deadens within himself the divine gifts of cheer and hope, and he dams up his own soul against the sweet inspirations of human sympathy.

Never yet did a man with a whine in his heart win success worthy of the name.

A whine is premeditated and prearranged failure.

A whining voice means a whining character. It is a mark of weakness too inexcusable even to excite pity. The broadest charity shrinks and draws back the hand at the sound of a human whine—a sound more disgusting and dismaying than the hiss of a snake.

They say that one of the things you cannot make or alter is environment—that it is fixed, inflexible, and that you are its slave. This is a pessimistic lie.

To your own moods environment is a looking-glass. It smiles back at us if we smile; if we frown, it frowns.

He who thinks the world is full of good people and kindly blessings is much richer than he who thinks the contrary. Each man's imagination largely peoples the world for himself. Some live in a world peopled with princes of the royal blood; some in a world of paupers and privation. You have your choice.

This is a big, busy world. It cares precious little what you think of it or what faults or troubles you find in it. It is a choice that concerns yourself more than all others combined whether you grouch in the gloom, the companion of hateful goblins, or stride in the sunshine, seeing smiles and catching shreds of song.

Men and women in God's image were not made as whining, groveling things. They were made to stand erect, mentally as well as physically; to labor well and joyously; to take the gifts of Providence, whether they be joy or sorrow, and bear them cheerfully and with courage; to add ever something to the world's store of happiness, if it be only a smile.

Look up! See how flooded with sunshine this beautiful world is when faced with smiling eyes!

If you would win anything, do anything, be anything, don't whine.

The reformative looking-glass—

Some time ago a very clever story appeared in one of the magazines. It told of a desk mirror given by her pupils to a public school teacher, wherein the teacher could look to see how pretty she was when she smiled and how ugly when she frowned. The mirror, so the story ran, transformed the teacher from a crabbed and cross character to one that smiled and became popular.

The story contains a truth.

The problem in making the world better and brighter is to get people to see themselves as others see them. If, then, we could provide looking-glasses at every turn of life, we almost should be able to reform the world.

He who fumes and fusses and frowns over his task, being provided with an ever-present mirror, would be able to size himself up as others size him. And he who gets drunk, or otherwise makes an ass of himself, could note the process and be ashamed.

And she who was peevish and sour and sulky might look and hate her ways. For no matter how plain the woman's face, if she be but bright and cheery and smiling, her face will be beautiful. And no matter how handsome in feature the woman may be, if she wears a visage of discontent and moodiness she will show herself ugly. The handy mirror would reveal the ugliness, and the woman, touched at a vital point, would redeem her features.

It is said no woman can pass a mirror without looking into it—a good habit that men might profit by.

People are well-behaved before their mirrors. If the looking-glass could be kept before them frequently enough, they might be uniformly well-behaved.

Let us face the mirrors often—not for vanity's sake, but character's. Let us see ourselves as we are and often,

that we may assimilate ourselves into the likeness of our better selves.

Don't talk about your hard luck—

It never pays to talk hard luck.

Refuse to recognize it. Refuse to believe in it. Scorn to whine about it.

Get the whine out of your voice, or it will stop the development and growth of your body. It will narrow and shrink your mind. It will drive away your friends; it will make you unpopular. Quit your whining; brace up; go to work; be something; stand for something; fill your place in the universe. Instead of whining around, exciting only pity and contempt, face about and make something of yourself. Reach up to the statue of a strong, ennobling manhood, to the beauty and strength of a superb womanhood. There is nothing the matter with you. Just quit your whining and go to work.

If you continually talk about your bad luck and moan about your ill fortune, you create for yourself an atmosphere of misfortune, which will certainly overwhelm you unless you stop in time.

The man or woman who persistently fears that such and such a thing is not going to turn out well is enlisting powerful forces against his or her success.

Two frogs once found themselves in a milk can, so the story goes.

"O dear! O dear!" cried one. "I know we shall be drowned. We can never get out of this can!"

The other frog never waited to croak, but set vigorously to work to swim.

"Don't worry about getting out; kick out and swim," he said cheerfully.

"I never can keep swimming until the milk can gets all the way into the city," croaked the first.

"Never mind; keep on kicking," said the little philosopher, and, suiting the action to the word, he began to kick and swim with all the strength of his little legs.

A few hours later, when the can was opened, one frog was found drowned at the bottom, while on the top of the can, floating at his ease on a pat of butter churned by his own vigorous kicking, sat the other, pensively humming "Down Went McGinty."

This little story has an obvious moral. It is: Don't drown yourself by believing you can't swim; but keep on cheerfully striking out until, atom by atom, little by little, the realities of life will separate themselves from their surroundings and form themselves into a solid ground on which you may rest at ease.

Striving and succeeding—

Young people are constantly asking themselves this question: Is a young man's or a young woman's interest advanced by working strenuously for the interests of his employer?

They are, my young friend, they are. I assert this positively, emphatically.

I would that you impress this highly important fact deeply, conspicuously, and indelibly upon the walls of your understanding.

Work strenuously, faithfully, loyally for your employer. Go early and leave late. Put your whole heart in your work and develop the most intense enthusiasm to be a constant spur to greater activity and usefulness.

And, believe me, young friend, though your employer will probably rejoice in these words and be benefited thereby, yet am I speaking for you in this talk; endeavoring to advance your interests, to aid you on the long and tedious journey to the glorious goal of a broad success.

Remember this, my boy—and reflect that I am writing with the earnestness with which I ask you to work—life is a game, and we win the game by work.

Get your mind attuned to the love of work. Train yourself to like work, to appreciate it, to perform it with actual pleasure. Begin it with joyfulness, leave it regretfully. Systematize it, work rapidly, neatly, accurately.

Accomplish all you can each day. Be cheerful, happy, smiling, courteous, polite.

This will be difficult, but persevere.

In course of time you will become attuned to the grand game and will begin to enjoy it. You will feel the enthusiasm, your ears will catch the melodious harmony.

Repeat every hour, if necessary, that it is a game, not work, you are playing; and reflect on the intense energy young men expend upon the games of football, rowing, etc. And the grand game of life is of infinitely more importance, and should be played with even more energy, enthusiasm, and skill.

And persevere.

Don't commit the foolish error of doing this for a mere raise of wages.

Don't, for goodness' sake, try it two or three months and then go whimpering around that your employer doesn't appreciate you.

Remember, character building is your great work. Wages are secondary. Resolve to work as above for three years; do not be overly concerned about wages; give scant concern as to whether your employer "appreciates" you.

In three years, my boy, the habits will be formed; your mind will be attuned, your brain cells active, your character adjusted.

You will see the beauty of the game; you will feel the exhilaration of the activity; you will see the bright goal of success looming up in the distance.

And you cannot be kept down.

You just cannot.

Your employer will hunt you out. Gradually, very gradually, you will be advanced. Slowly and deliberately you will be promoted.

In course of time you will become your employer's right-hand man; then he will give you [permit you to buy] an interest in the business, then he will admit you to partnership, and then your energy, ambition, skill, and enthusi-

asm will push forward the business to a surprising degree. Opportunities will come and offer themselves. Riches will follow, and honors, and new avenues of usefulness will open before your feet.

Several thousand young men will read these words, but, sad to say, they will fall on unheeding ears. Some will read them cynically, most with indifference, and many with doubt.

But if one—only one—of the many thousands who read them will ponder upon them, investigate, reflect, and be guided by them, then will I feel amply repaid for the writing of this article.

Why not let that be you, young man, whether you are employer or employee?

Let us reason on it a little—investigate.

Go and see a game of baseball, and note the work and enthusiasm and skill and self-restraint put into it.

Read carefully of the surpassing activity displayed in football.

The only reward for these is the pleasure obtained. Great is that pleasure.

Why should you not have pleasure from some game.

You can.

The Game of Life, my boy, makes all other games resemble thirty cents.

It is the greatest thing coming down the pike.

It requires more skill, absorbs more activity, yields infinitely more pleasure.

This is sufficient to commend it, but its skillful playing does more.

It builds character.

It gives business success.

It will bring riches and lay them at your feet.

Honors will come to you.

Make up your mind to play it actively, perseveringly, enthusiastically, courteously, cheerfully.

RICHARD W. MASSEY.

Postal Distances and Time between New York and Other Cities of the United States.

The distances by the shortest routes, and the time by the fastest trains, between New York City and the points indicated are given by the Official Postal Guide as follows:

Cities in United States.	Miles.	Hours.
Albany, N. Y.	142	3½
Atlanta, Ga.	882	24¼
Baltimore, Md.	188	6
Binghamton, N. Y.	207	5½
Bismarck, N. Dak.	1,738	60½
Boise, Idaho	2,736	92½
Boston, Mass.	217	7
Buffalo, N. Y.	410	9½
Cape May, N. J.	172	5
Carson City, Nev.	3,036	109¼
Charleston, S. C.	804	21¼
Chattanooga, Tenn.	853	32
Cheyenne, Wyo.	1,899	54
Chicago, Ill.	900	23
Cincinnati, Ohio	744	23
Cleveland, Ohio	568	19½
Columbus, Ohio	624	20
Concord, N. H.	292	9½
Deadwood, S. Dak.	1,975	65½
Denver, Colo.	1,930	61½
Des Moines, Iowa	1,257	37½
Detroit, Mich	743	21
Galveston, Tex.	1,789	56½
Harrisburg, Pa.	182	6
Hartford, Conn.	112	4
Helena, Mont.	2,423	89
Hot Springs, Ark.	1,367	55
Indianapolis, Ind.	808	23
Jacksonville, Fla.	1,077	32
Kansas City, Mo.	1,302	38¼
Louisville, Ky.	854	30
Memphis, Tenn.	1,163	40
Milwaukee, Wis.	985	29¼
Montgomery, Ala.	1,057	30½
Montpelier, Vt.	327	10¼
New Orleans, La.	1,344	40
Omaha, Nebr.	1,383	43
Philadelphia, Pa.	90	3
Pittsburg, Pa.	431	13
Portland, Me.	325	12
Portland, Oregon	3,181	114½
Prescott, Ariz.	2,724	94
Providence, R. I.	189	6
Richmond, Va.	344	11¼
St. Louis, Mo.	1,048	29
St. Paul, Minn.	1,300	37
Salt Lake City, Utah	2,452	71½
San Francisco, Cal.	3,250	106
Santa Fe, N. Mex.	2,173	82
Savannah, Ga.	905	26
Scranton, Pa.	146	4½
Tacoma, Wash.	3,209	102
Topeka, Kans.	1,370	48
Vicksburg, Miss.	1,288	50
Vinita, Okla.	1,412	42
Washington, D. C.	288	6½
Wheeling, W. Va.	496	14¼
Wilmington, Del.	117	5
Wilmington, N. C.	593	20

Interest Laws and Statutes of Limitations.

States and Territories.	Interest Laws.		Statutes of Limitation.		
	Legal Rate.	Rate Allowed by Contract.	Judgments, Years.	Notes, Years.	Open Accounts, Years.
	Per Cent.	Per Cent.			
Alabama	8	8	20	6*	3
Arkansas	6	10	10	5	3
Arizona	6	Any rate	6	4	3
California	7	Any rate	5	5†	2
Colorado	8	Any rate	20	6	6
Connecticut	6	6	20	(*e*)	6
Delaware	6	6	10	6‖	3
District of Columbia	6	10	12	3	3
Florida	8	10	20	5	2
Georgia	7	8	7	6‖	4
Idaho	10	12	6	5	4
Illinois	5	7	20	10	5
Indiana	6	8	20	10	6
Iowa	6	8	20(*d*)	10	5
Kansas	6	10	5	5	3
Kentucky	6	6	15	15	5(*a*)
Louisiana	5	8	10	5	3
Maine	6	Any rate	20	6(*c*)	6§§
Maryland	6	6	12	3	3
Massachusetts	6	Any rate	26	6	6
Michigan	5	7	6*	6	6§§
Minnesota	6	10	10	6	6
Mississippi	6	10	7	6	3
Missouri	6	8	10	10	5
Montana	8	Any rate	10(*b*)	8	5
Nebraska	7	10	5‡‡	5	4
Nevada	7	Any rate	6	4	4
New Hampshire	6	6	20	6	6
New Jersey	6	6	20	6	6
New Mexico	6	12	7	6	4
New York	6	6††	20(*n*)	6	6§§
North Carolina	6	6	10	3*	3
North Dakota	7	12	10	6	6§§
Ohio	6	8	15	15	6
Oklahoma	6	12	5(*h*)	5	3
Oregon	6	10	10	6	6
Pennsylvania	6	6	5(*f*)	6‖	6
Rhode Island	6§	Any rate	20	6	6
South Carolina	7	8	20	6	6
South Dakota	7	12	10(*t*)	6	6
Tennessee	6	6	10	6	6
Texas	6	10	10‡‡	4	2
Utah	8	Any rate	8	6	4
Vermont	6	6	8	6	6§§
Virginia	6	6	20	5•	2¶
Washington	6	12	6	6	3
West Virginia	6	Any rate	(*o*)	10	5
Wisconsin	6	10	20(*i*)	6	6
Wyoming	8	12	5(*k*)	5	8

* Under seal, 10 years. † If made in State; if outside, 2 years. § Unless a different rate is expressly stipulated. ‖ Under seal, 20 years. ¶ Store accounts; other accounts, 3 years; accounts between merchants, 5 years.

Requirements for Citizenship and for Voting.

States.	Requirements as to Citizenship.	Residence in		
		State.	County.	Precinct.
Alabama.....*a*	Citizen or declared intent.....	1 year	3 mo.	1 mo.
Arkansas.....*c*	Citizen or declared intent.....	1 year	6 mo.	1 mo.
California.....*h, i, a*	Actual citizen.....	1 year	90 days	30 days
Colorado.....*b*	Citizen or declared intent.....	6 mo.	90 days	10 days
Connecticut.....*a*	Actual citizen.....	1 year	6 mo.	6 mo.
Delaware.....*a*	Actual county taxpayer.....	1 year	3 mo.	.....
Florida.....*b*	Citizen.....	1 year	6 mo.	.....
Georgia.....*a*	Actual citizen.....	1 year	6 mo.	.....
Idaho.....**, a*	Actual citizen.....	6 mo.	30 days	.....
Illinois.....*a*	Actual citizen.....	1 year	90 days	30 days
Indiana.....*e*	Citizen or declared intent.....	6 mo.	60 days	30 days
Iowa.....*d*	Actual citizen.....	6 mo.	60 days	10 days
Kansas.....*d*	Citizen or declared intent.....	9 mo.	30 days	30 days
Louisiana.....*o, a*	Actual citizen.....	1 year	6 mo.	60 days
Maine.....*a*	Citizen.....	2 years	1 year	6 mo.
Maryland.....*b*	Actual citizen.....	3 mo.	3 mo.	3 mo.
Massachusetts.....*a*	Actual citizen.....	1 year	6 mo.	1 day
Michigan.....*a*	Citizen.....	1 year	6 mo.	6 mo.
Minnesota.....*a*	Citizen or declared intent.....	6 mo.	20 days	20 days
Mississippi.....*‖, b*	Citizen.....	3 mo.	.....	30 days
Missouri.....*b*	Actual citizen.....	2 years	1 year	1 year
Montana.....*a*	Citizen or declared intent.....	1 year	60 days	60 days
Nebraska.....*a*	Citizen.....	1 year	30 days	30 days
Nevada.....*b*	Citizen or declared intent.....	6 mo.	40 days	10 days
New Hampshire.....*e*	Citizen or declared intent.....	6 mo.	30 days	30 days
New Jersey.....*a*	Actual citizen.....	6 mo.	6 mo.	6 mo.
New York.....*d*	Actual citizen.....	1 year	5 mo.	.....
North Carolina.....*o, b*	Actual citizen.....	1 year	4 mo.	30 days
North Dakota.....*d*	Actual citizen.....	1 year	90 days	.....
Ohio.....*d*	Citizen or declared intent.....	1 year	6 mo.	90 days
Oklahoma.....*d*	Actual citizen.....	1 year	30 days	30 days
Oregon.....*e*	Citizen or declared intent.....	6 mo.	20 days	30 days
Pennsylvania.....*b*	Actual citizen.....	1 year	.....	2 mo.
Rhode Island.....*a*	Actual citizen.....	2 years	.....	6 mo.
South Carolina.....*b*	Actual citizen.....	2 years	1 year	4 mo.
South Dakota.....*a*	Citizen or declared intent.....	6 mo.	30 days	10 days
Tennessee.....*d*	Actual citizen.....	1 year	6 mo.	.....
Texas.....*c*	Citizen or declared intent.....	1 year	6 mo.	6 mo.
Utah.....*b*	Citizen.....	1 year	4 mo.	60 days
Vermont.....*a*	Actual citizen.....	1 year	.....	.....
Virginia.....*a*	Actual citizen.....	1 year	.....	3 mo.
Washington.....*a*	Citizen or declared intent.....	1 year	90 days	30 days
West Virginia.....*e*	Actual citizen.....	1 year	60 days	.....
Wisconsin.....*d*	Citizen or declared intent.....	1 year	1 year	10 days
Wyoming.....*a*	Citizen.....	1 year	60 days	60 days
Arizona.....*x*	Citizen or declared intent.....	6 mo.	10 days	10 days
Oklahoma.....*d, r*	Citizen or declared intent.....	6 mo.	60 days in township	30 days

a Registration required by law. *b* Required by constitution. *c* Prohibited by constitution. *d* Required in large cities. *e* No registration required. *x* Mayor and city council have power to require registration. *o* Educational qualification (read the constitution in the English language).

List of Commercial Words and Phrases.

A

A1. First-class; without a superior.

"A" bond. One of the first of a series of bonds designated alphabetically.

abatement. In contracts, a creditor's reduction of claim.

absolute indorsement. An indorsement binding the indorser to pay when notified that the prior parties have failed to do so.

absorbed. Subscribed for; applied to bonds, etc.

account. 1. The record of any business transaction. 2. On the stock exchange, the extent of speculative positions open.

accrued dividend. The increment accumulating at any time before a regular dividend payment.

acquittance. An acknowledgment of the payment of a debt.

actual assets. Money; property of certain value.

adjustment bond. A bond issued to secure money, as for improvements.

adjustment mortgage. 1. A mortgage usually covering improvements. 2. A second mortgage.

afloat. Designating grain on passage.

allocation. Apportionment; allotment; assignment.

allotment. 1. Share or portion. 2. In underwriting, the amount assigned a member or subscriber.

all-'round price. Overhead price.

arbitrage. Purchase and sale of the same thing in different markets.

arrha. Earnest money. [Latin.]

assessment. A demand upon stockholders for a specified sum per share of stock.

assets. Total worth of property, as of a person.

aval. Guaranty; indorsement.

average book. In banking, a book recording the average credit balances of depositors.

B

backing. Indorsement.

balance sheet. A tabular statement showing assets and liabilities, profit and loss.

ballooning. Inflating a stock value. [Colloquial.]

bear. A speculator believing in lower prices; one who sells stock short to buy back at a lower price.

bearing the market. Working to force prices down.

bid and asked quotations. Quotations furnished by stock specialists, the nominal prices of the day on the stock exchange.

blanket mortgage. A general mortgage.

blind pool. A money pool to be used at the manager's discretion.

block. A large number of shares.

board of trade. 1. An organization formed to promote mercantile or commercial interests. 2. An exchange or trading organization the members of which conduct large speculative operations.

bond. A secured certificate of obligation to pay money.

bonded. Secured by some guaranty.

bonus. A premium or gratuity.

books close. That time, prior to a dividend payment, at which ownership of securities may not be changed in the record; opposed to *books open.*

books open. The opposite of *books close.*

book value. Stock value based on earnings.

branch bank. A bank under the control and supervision of a larger bank; not permitted under the national bank act.

bucket shop. A place where bets are placed on regular exchange quotations.

bucketing of stocks. Sales by a broker—for his own account and risk—against customers' purchases, or purchases by the broker against customers' sales.

budget. An estimate of probable revenues and expenditures by the government in the ensuing year, with affecting measures. [English.]

bull. A speculator believing in higher prices; one buying in expectation of a raise.

bulling the market. Working to make prices higher.

buyer four, ten, twenty, etc. Bought for delivery on any day demanded by the buyer within the number of days specified (4, 10, 20, etc.) on one day's notice to the seller.

buying back. Purchasing a stock previously sold without ownership.

by-bidder. A side bidder at an auction to raise prices.

by-laws. Rules, subordinate to a constitution or charter, adopted by an association or corporation for the conduct of its affairs.

C

call. A contract binding the issuer to deliver on demand to the holder agreed stock within a certain time at a certain price.

call loan. A loan payable on demand.

called bond. A bond issued with the privilege of redemption after a certain time, interest to cease on such call.

capital. Available wealth or money.

Captain of Industry. A leader in the creation and development of important industries in the United States.

cash assets. Assets in money or readily convertible into money.

cats and dogs. Worthless securities. [Colloquial.]

charges forward. Designating charges to be paid by the receiver of the property.

Chicago check. A form of check having the dollar mark to be followed by the amount in figures at the end of the line for the payee's name.

c. i. f. Cost, insurance, and freight included.

circular letter of credit. See *traveler's letter of credit.*

circulation. 1. Money in use. 2. Notes issued by national banks.

classified bonds. Bonds disposed in two or more classes, as designating the payment of interest or maturity.

classified stock. Stock disposed of in two or more classes, as first, second, and third preferred.

close corporation. A company the stock of which is held by a few persons and is not on the market.

closed for dividend. Not open pending a dividend payment; said of stock.

closing prices. On the stock exchange, the prices at which the last sales are made.

coining rate or value. The valuation as compared with gold at which silver is coined, as opposed to its actual bullion value.

collateral loan. A loan on paper secured by a pledged security.

collateral note. A promissory note secured by a pledge.

collection charge. A charge for collecting out-of-town paper.

commitment. The act of giving an order to buy or sell.

community of interest. Joint ownership or control for the maintenance of harmonious relations.

commutation, commuting. See *compounding.*

compensatory damages. An amount adjudged equivalent to a sustained loss.

composition. A partial payment of creditors accepted by them as a full payment.

compounding. The payment of several successive obligations by substituting a lump sum.

concessionaire. One who obtains a grant.

consignee. The one to whom goods are sent.

consignment. Goods shipped or forwarded by one person to another.

consol. A consolidated stock or bond, an abbreviation of consolidated annuities.

consolidated bond. One of an issue of bonds taking up and replacing two or more previous issues.

consolidated mortgage. A mortgage replacing two or more mortgages previously made.

constant. In finance, a fixed value.

construction account. The account showing the amount of building and equipment investment, as of a railroad.

continued bond. A bond which may be held after maturity, then bearing the same or a different rate of interest.

contribution. An indemnifying payment made to one or a number of parties jointly responsible for a debt by those not participating in the payment.

controlling company. One owning control though not operating another company.

cooked. Garbled or manipulated; said of an account or report.

corner. The condition of the market with respect to a commodity which has been bought up with a view to monopoly.

coupon. The detachable form showing the amount of interest due at a certain date, being negotiable the same as a check.

coupon bond. An unregistered bond payable to bearer.

crossed check. A check bearing on its face certain words making it payable only at a bank; used only in England.

cumulative stock. Preferred stock bearing a dividend, which, if not paid regularly, accumulates, and must be paid before a dividend on common stock.

current assets. Such assets as change from day to day.

current liabilities. Liabilities changeable daily.

cutthroat mortgage. A mortgage so drawn as to cut off the mortgagor's right of summons or notice and recourse; not sustainable in equity.

D

dating. Extension of credit beyond the ostensible term by placing the date ahead.

dead assets. Unproductive assets.

debenture. A certificate of debt; unless secured, a promissory note.

declaration of trust. Acknowledgment by a person holding a title to property that the virtual ownership vests in another.

deferred bond. A bond the interest of which is put off for a certain period.

demurrage. A charge for holding cars or vessels beyond a specified time.

differential rate. In transportation, a lower rate to the same or competing points.

direct liabilities. Determined, undisputable obligations.

discussion. A proceeding in which a surety exhausts his principal's property before becoming liable himself.

dividend. A profit paid to a holder of a stock.

dividend off. Not carrying a declared dividend with the sale; said of a stock.

dividend on. Including dividend due.

divisional bond. A bond under a mortgage on property in one railroad division.

domestic exchange. Drafts drawn at one place and payable at another place in the same country.

domiciled. Payable at (a certain place).

double-name paper. Paper bearing an indorsement.

drawback. A rebate.

drawn bond. One of a number of bonds determined for payment by lot.

E

equipment bond. One of a series of bonds given for money to equip a railroad with rolling stock.

equity. The difference between the value of encumbered property and the encumbrance standing against it.

exchange. 1. The payment of an obligation in one place by the transfer of credit from another place. 2. A draft. 3. A place where purchases and sales are made.

ex-coupon. Having the coupon for the current interest payment detached; said of a bond.

ex-dividend. Not including dividend; said of a stock sold on or after the day the transfer books of a corporation close.

ex-drawing. Not including any advantage accruing to the buyer if drawn for redemption. [English.]

ex-interest. Not including interest.

ex-rights. Carrying with sale no rights recently granted holders; said of a stock.

ex-ship. Free of charges up to the time of discharge from the vessel.

ex-store. Subject to all charges after leaving storage.

extended bond. A bond upon which extension of time has been granted.

extension bond. A mortgage bond covering a railroad extension.

F

fiat money. Money by decree of the government.

finance committee. A board directing monetary affairs.

financial statement. A balance sheet.

first mortgage. A mortgage that must be satisfied before all others.

fiscal year. The twelve months considered a year in financial operations, that of the United States government ending on June 30.

fixed capital. Property in its final form and capable of continued use in production, as machinery.

fixed charge. A certain charge becoming due at stated intervals.

fixed debt. A debt of some permanence, as a debt represented by bonds.

floating. Marketing; selling; said of bonds or stocks.

floating capital. Property in a changing form, as that invested in articles being manufactured.

floating debt. Indebtedness not represented by securities.

floating stock. Stock not held permanently.

forced loan. A loan made to conform to the requirements in hand, as that of a bank which has paid an overdraft afterwards not covered.

foreign exchange. Drafts drawn in one country payable in another; the system so used.

founders' shares. Shares formerly issued to the promoters of a company.

free coinage. Coinage of money without charge or deposit of metal, extended in the United States to gold only.

free overside. Same as *ex-ship*.

freight. 1. Anything transported by a carrying company. 2. Charges for transportation of the heavier class of goods.

full-stock. Stock at the face value of $100.

funded debt. Outstanding debts converted into bonds or annuities.

G

general mortgage. A blanket mortgage.

gold bond. A bond payable only in gold, principal and interest.

gold point. That period in the buying and selling of foreign exchange when it permits the importation or exportation of gold.

gold reserve. The fund in gold, $150,000,000, set aside in the United States Treasury for the redemption of greenbacks.

government depository. A national bank designated to receive government deposits.

gross earnings. Total earnings.

guaranteed bond. A bond issued by one company and having the principal and interest guaranteed by another.

guaranteed stock. A stock issued by one company and guaranteed by another.

H

half-stock. Stock the par value of which is $50.

holding company. Same as *securities company.*

hypothecation. The pledging of any property, as securities, as collateral for loans.

I

in bond. Held under bond or in trust.

indorsed bond. A bond bearing an indorsement not properly pertaining to it. According to New York Stock Exchange rules, such a bond must be designated "indorsed" when offered for sale.

industrial stock. Stock of a manufacturing company.

initialed check. A check bearing the initials of a cashier or paying teller, signifying that the signature is correct.

interim dividend. Division of profit before the final yearly dividend is declared.

international stock. A stock dealt in in foreign exchanges.

investment securities. Stocks, bonds, or the like, considered as safe and desirable as regards dividends.

ironclad note. A collateral note.

irredeemable bond. A bond which cannot be paid off; now rarely used.

irredeemable currency. Fiat money.

issue. 1. In law, the first delivery of a negotiable instrument in complete form to the holder. 2. In finance, the outstanding stock or bonds of a company.

J

joint bond. A bond on which two or more parties are bound, as in certain railroad issues.

joint mortgage. A mortgage issued jointly by two or more parties.

joint stock company. A company having its capital stock divided into shares of equal amount.

judgment note. A promissory note bearing a warrant of attor-

ney authorizing the entry of a judgment without process against the maker in case of nonpayment.

junk. Cats and dogs. [Colloquial.]

K

kiting. The incurring of a fresh obligation to discharge an old one, as by exchanging checks with a confederate.

knocked down. Sold at the price bid; said of goods auctioned.

L

land grant bond. A bond issued under a land grant mortgage.

land grant mortgage. A mortgage on a grant of land for the issuance of bonds.

leased line. A railroad held by another subject to a lease.

limited liability. Responsibility of stockholders for company debts only to the amount of stock held; indicated by the word "Limited" in the title.

liquid assets. Assets in cash or readily convertible into cash.

listed stocks. Stocks included in the list of those admitted to dealings at an exchange.

long and short haul clause. A clause in the interstate commerce law prohibiting a greater comparative charge for freight transportation for a short distance than for a long distance under similar conditions.

M

marked check. A check bearing a private mark without which it is not valid.

merger. A trust.

mileage. 1. The number of miles in a railroad. 2. Distance traveled. 3. Transportation issued in continuous slips to be lifted by the conductor as used.

mortgage. A lien upon property to secure a debt, becoming void upon the payment of the obligation.

municipal bond. A bond issued by a borough, town, or city having a self-governing charter of incorporation.

N

negotiable instrument. Any paper that may be transferred by assignment, indorsement, or delivery.

net. 1. Clear of all expense, as earnings. 2. Not subject to any deduction, as a price.

net cash. Immediate payment; payment on delivery of the goods.

nominal assets. All assets, particularly those of doubtful value.

non-assented stock or bonds. Stock or bonds held by parties refusing to deposit their securities on a readjustment of the affairs of a corporation.

non-assessable stock. Stock not to be assessed.

non-cumulative stock. Stock on which no passed dividend has to be made good; opposed to *cumulative stock.*

no protest. Not to be protested if not paid.

nude contract. A contract without a consideration.

O

obligatory bond. Any bond having the interest at a fixed rate, payable at designated intervals.

operating company. The company carrying on a road the ownership of which vests elsewhere.

option. The purchased privilege of either delivering a specified amount of something at a specified price within a specified time or calling for and receiving such delivery.

optional bond. A bond that may be retired by the issuer at a designated earlier date.

overcapitalization. Capitalization for an amount not warranted by the profits.

overcertification. The certification of a check by an officer of a bank, the drawer not having sufficient funds to cover it.

overdraft. A check drawn on a bank not having sufficient funds to the credit of the drawer.

overhead price. A price covering cost and all charges.

overissue. Issue of stock beyond that authorized.

overlying mortgage. A mortgage subsequent in claim to another mortgage.

P

paid-up stock. Stock paid for in full.

paper profits. Probable profits from transactions not closed.

par. Face value.

parent company. A company from which other companies derive authority.

parity. A price (of a stock) equivalent or equal to the price of the same stock quoted on a different basis.

par list. A list issued by a bank to correspondents or customers, giving a list of cities and towns the checks of which will not be charged exchange.

participating bond. A bond sharing in a distribution of profits as well as a guaranteed interest.

passing a dividend. Failure to make a regular dividend.

passive bond. A non-interest-bearing bond having some other benefit attached.

plain bond. A bond having no mortgage or collateral security and without a sinking fund provision.

plant. The permanent appliances necessary to conduct any business.

pool. Interests joined for mutual advantage, specifically (*a*) a trust or combination to regulate prices, (*b*) a fund contributed by several persons for a specified use.

postdated. Bearing a future date.

preferred stock. Stock which must receive a dividend and participate in a distribution of assets before common stock.

premium. 1. The amount of excess over the par value. 2. The sum paid by a policy holder for insurance.

private company. A close corporation. [English.]

promoter's stock. Stock issued one interested in the promotion of a company for services rendered.

proprietary company. A controlling company.

protest waived. Without necessity of protest (to indorser).

proxy. A person authorized to represent another; also, the instrument granting such authority.

put. A contract by which one person, in consideration of money paid to another, acquires the privilege of selling or delivering to the latter within a certain time some designated article at a stipulated price.

Q

quarter-stock. Stock at the par value of $25.

quick assets. Property quickly convertible into cash.

quid. One pound sterling. [English.]

quotation. Price. On the stock exchange quotations for stock are in eighths of one per cent; while quotations for grain, pork, lard, short ribs, and silver are in eighths of a cent, cotton and coffee quotations are in hundredths of a cent.

R

redeemable bond. A bond payable at a specified future time.

redemption drawing. The determination by lot of those bonds to be redeemed and paid.

registered bond. A bond recorded in the owner's name.

registered coupon bond. A bond bearing coupons payable to bearer, but itself payable only to owner.

registered stock. Stock recorded in the company books and

transferable only by surrender of the stock certificate, not by indorsement. [English.]

registrar. The keeper of the records of transfers of securities, verifying the signatures of registered owners.

rehypothecation. The hypothecation by a broker of securities hypothecated to him. Such act is illegal without the consent of the owner of the collateral.

released indorsed bond. A bond bearing an acknowledgment of relinquishment of title, taken before a notary public.

reorganization. Compulsory financial reconstruction.

resources. The collective amount of cash and property equivalent to cash.

restrictive indorsement. An indorsement so worded as to qualify further negotiability.

right. 1. The privilege to subscribe (a certain amount) to an issue of security. 2. In underwriting an allotment or accepted subscription.

S

scrip. A certificate for a fraction of a share of stock, usually exchangeable for shares when presented in sufficient quantities. 2. United States paper currency of less than $1 denomination—not now issued.

seasoned securities. Stocks or bonds having an established value.

securities company. A company owning the securities of other companies and depending for its income upon the income derived from such securities.

seignorage. The difference between the cost of the bullion in a coin and the value of the coin minted.

seller four, ten, twenty, etc. Sold for delivery on any day desired by the seller within the number of days specified (4, 10, 20, etc.) on one day's notice to the buyer.

seller's option. A put.

serial bonds. Bonds redeemable in specified installments.

single-name paper. Unindorsed paper.

sinking fund. A fund to which are added certain amounts of money at specified times to close off a debt.

sinking-fund bond. A bond to be paid by a sinking fund.

sinking-fund mortgage. A mortgage to be paid by a sinking fund.

slow assets. Property not to be quickly turned into cash.

sola. A foreign bill of exchange drawn singly.

special aid bond. A bond issued by a government or municipality to facilitate a beneficial enterprise.

special assessment bond. A municipal bond issued payable by a special tax levied upon property improved by the fund originating the bond.

stale check. A check not presented for a considerable time.

sub-company. A subsidiary company.

subsidiary company. A company the stock of which is owned or controlled by another company.

surplus. Profit remaining after deductions are made.

syndicate. A number of capitalists uniting to finance and carry out some plan or scheme.

T

tack. The direction in which a speculator's interest lies.

tax bond. A state bond receivable for taxes.

time loan. Money borrowed for a specified period.

ton-miles, ton-mileage. Number of miles total tonnage hauled by a railroad.

train-miles, train-mileage. Number of miles made by a railroad train or trains.

transfer agent. An officer authorized to transfer a company's stock.

traveler's letter of credit. A draft issued payable in such amounts as desired by various domestic and foreign correspondents.

turn over. The total business transacted by a concern in a given period.

U-Z

underlying mortgage. A prior mortgage.

unfunded debt. A floating debt.

utter. To issue, as forged paper.

via. A bill of foreign exchange, drawn in duplicate or triplicate.

voting trust. The placing of all or part of the stock of a company in a trust for voting purposes.

when issued. Deliverable when, and as if issued; said of a stock.

working capital. Money necessary for operating expenses.

X. Same as *ex.*

x-d. Ex-dividend.

yield. Percentage of return in dividends.

Abbreviations and Arbitrary Signs Used in Business.

A. or Am. .....America; American.
A1 .....First-class.
Acct. or acct. .....Account.
Acct. Cur. .....Account Current.
Acct. Sales .....Account of Sales.
Adv. or adv. .....Advertisement.
Agt. .....Agent.
A.M. .....Forenoon; Master of Arts.
Amt. .....Amount.
App. .....Appendix.
Asst. .....Assistant.
Atty. .....Attorney.
Av. or Ave. .....Avenue.
Bal..... Balance.
B. B. .....Bill book.
bbl. .....Barrel.
bdl. .....Bundle.
Bnk. .....Bank.
bkts. .....Baskets.
B / L.....Bill of Lading.
Bld. .....Building.
Bot. .....Bought.
B / S.....Bill of Sale.
bu. .....Bushel.
bx. .....Box.
c. .....Cent.
Cash. .....Cashier.
C. B. .....Cash book.
chgs. .....Charges.
Ck. .....Check.
Co. .....Company; County.
C. O. D. .....Collect on Delivery.
Coll. .....Collection; collector.
Cr. .....Creditor; credit.
cwt. .....Hundredweight.
da. .....Day; days.
Dept. .....Department.
Dft. .....Draft.
Disc. .....Discount.
do. .....The same.

doz. ..... Dozen.
Dr. ..... Debtor; doctor.
Dray. ..... Drayage.
E. & O. E. ..... Errors and omissions excepted.
ea. ..... Each.
e. g. ..... For example.
Esq. ..... Esquire.
etc. or &c. ..... And so forth.
Ex. ..... Express; example.
Exch. ..... Exchange.
fig. ..... Figure; figures.
F. O. B. or f. o. b. ..... Free on board.
Fol. ..... Folio.
Frt. ..... Freight.
ft. ..... Foot; feet.
gal. ..... Gallon.
gr. ..... Grain.
gro. ..... Gross.
hhd. ..... Hogshead.
hund. ..... Hundred.
I. B. ..... Invoice book.
i. e. ..... That is.
in. ..... Inch; inches.
ins. ..... Insurance.
inst. ..... Instant; the present month.
int. ..... Interest.
Inv. ..... Invoice; Inventory.
J. ..... Journal.
Jr. or jr. ..... Junior.
kg. ..... Keg.
lb. or ℔ ..... Pound.
L. B. ..... Letter book.
L / C ..... Letter of credit.
Led. ..... Ledger.
L. F. ..... Ledger folio.
Ltd. ..... Limited.
M. ..... Thousand.
Mdse. ..... Merchandise.
Mem. ..... Memorandum.
Messrs. ..... Gentlemen; Sirs.
Mfg. ..... Manufacturing.
min. ..... Minute.
Mme. ..... Madame.

mo. ..... Month.
M. O. D, ... Mail Order Department.
Mr. ..... Mister.
Mrs. ..... Mistress.
MS. ..... Manuscript.
MSS. ..... Manuscripts.
Mtg. ..... Mortgage.
N. A. ..... North America.
N. B. ..... Take notice.
No. or no. ..... Number.
N. P. ..... Notary Public.
O. K. ..... All correct.
Oz. or oz. ..... Ounce.
p. ..... Page.
Payt. or payt. ..... Payment.
pc. ..... Piece.
pcs. ..... Pieces.
Pd. ..... Paid.
per cent. ..... By the hundred.
pk. ..... Peck.
pkg. ..... Package.
P.M. ..... Postmaster; afternoon.
p.m. ..... Afternoon.
P. O. ..... Post Office.
Pp. ..... Pages.
pr. ..... Pair.
Pres. ..... President.
prox. ..... Proximo; of the next month.
pt. ..... Pint.
P. S. ..... Postcript.
qr. ..... Quire; quarter.
qt. ..... Quart.
Recd. ..... Received.
Reg. ..... Registered.
Retd. ..... Returned.
Rev. ..... Reverend.
R. R. ..... Railroad.
Ry. ..... Railway.
S. B. ..... Sales Book.
Sec. ..... Secretary.
Shipt. ..... Shipment.
sq. ft. ..... Square feet.
Sr. ..... Senior.
St. ..... Street; saint.

Str. ..... Steamer.
Sunds. ..... Sundries.
Supt. ..... Superintendent.
Tr. ..... Transpose.
Treas. ..... Treasurer.
ult. ..... Ultimo; of the last month.
U. S. M. ..... United States Mail.
via ..... By way of.
viz. ..... Namely; to wit.
vol. ..... Volume.
vs. or v. ..... Against.
W / B ..... Way bill.
wk. ..... Week.
wt. ..... Weight.
Yd. or yd. ..... Yard.
Yr. or yr. ..... Year.
a/c ..... Account.
@ ..... at or to.
℅ ..... Care of.
c. ..... Cent.
✓ ..... Check mark.
$ ..... Dollar.
# ..... Number when before, pounds when after a figure.
% ..... Per cent.
1¼ ..... One and one-fourth.
1½ ..... One and one-half (two-fourths).
1¾ ..... One and three-fourths.

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